

Report of the State Committee for Financial Monitoring of Ukraine 2007



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of the State Committee
for Financial Monitoring of Ukraine
2007



Dear Colleagues!

We would like to offer to your attention the Annual Report of the State Committee for Financial Monitoring of Ukraine for 2007.

The Report presents statistical information on activity results of SCFM Ukraine, as well as information on principles of activity organization. Such approach serves to share experience acquired by Financial Intelligence Unit of Ukraine, accumulated during six years.

Organization of collection and using information from different financial intermediaries, financial intelligence units of other countries, law enforcement and state

authorities of Ukraine stands the heart of this experience.

Generally, transactions subject to financial monitoring and through which "dirty" money passes are fully ordinary and naturally. And the task of SCFM of Ukraine is to discover traces of financial transactions which had the criminal origin, using all present specific possibilities.

It should be mentioned that the process of "dirty" money legalization is related to comparatively complicated system of frequent assets modification, and as a result, the real origin of capitals hides. The analytical process of SCFM of Ukraine consists of ability to select certain, separate, but important



episodes; revealing of a distinct, clear picture of economic interests. Such everyday and thorough work is a reality of Financial Intelligence Unit of Ukraine, what became the target of this Report.

But we are going further. Now, our country received additional, new impulse, which directions are determined by the Program of activity of the Government "Ukrainian Breakthrough: for people, not politicians". The Program will find reflection in all spheres of activity of Ukrainian society. Already in the nearest future, activity of SCFM Ukraine will receive additional positive features.

Useful in this regard is example of 2007, which testifies that not all the results of activity can be estimated only by statistical information.

History of Ukraine and all post soviet countries earlier did not have the experience analogues to Egmont Group Meetings hosting. In October, 2007 in Kyiv were held Meetings in which representatives of more than 50 countries and 5 international organizations took part. During these Meetings SCFM of Ukraine has signed the Statute of Egmont Group.

Taking this opportunity, I want to thank to 92 FIUs of the foreign

states, as well as international organizations that have responsibilities stipulated by the international community on organization of effective counteraction to "laundering" of the proceeds from crime and terrorist financing.

For today, in the world of total globalization, in the world of cross border economic relations an exchange of new methods, software and ideas used by the state authorities of different countries in this sphere is of vital necessity. We consider that only by consolidation of efforts of all authorities will enable to combat completely this phenomenon.

That is why SCFM of Ukraine was, currently is and will be the reliable partner, open for the cooperation with the relevant state authorities functioning in the sphere of counteraction to laundering of "dirty" money and terrorist financing. Within Ukraine and abroad.

Head of the State Committee
for Financial Monitoring
of Ukraine



Igor Cherkas'kyi



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1. About SCFM of Ukraine

For every state counteraction to money laundering is a national security issue. Ukraine is a young country. Since the independence was declared a range of constituent measures to counteract laundering of the proceeds from crime was taken.

The State Committee for Financial Monitoring of Ukraine (SCFM of Ukraine) is a specially authorized agency of the executive power on financial monitoring and takes central place in a national AML/CTF system.

SCFM of Ukraine is guided in its activity by the Law of Ukraine "On Prevention and Counteraction to Legalization (Laundering) of the Proceeds from Crime" and uses recommendations of international organizations aimed at counteraction to legalization (laundering) of the proceeds from crime and terrorist financing.

SCFM examines financial transactions whether they are related to money laundering or/and terrorist financing.

The efficiency of conducting of financial

monitoring directly depends on the knowledge by all participants of financial processes of the main bases of counteraction to money laundering and appropriate legislation, typical money laundering schemes and methods of its disclosure and counteraction.

Finansing of expenses of SCFM in 2007 was carried out from the state budget within the limits of the affirmed budget assignments.

In 2007 in compliance with the received from the state budget assignments SCFM made expenses in amount of UAH **42 157.2** thousand. The structure of using this amount of money is depicted in the following table.

The rate and structure of remuneration of labor is determined by the Cabinet of Ministers of Ukraine. The rate of salary of experts and middle-rank managers was increased by 7% by the decision of the Cabinet of Ministers from May, 1 2007. An average salary of the employees of the State Committee for Financial Monitoring of Ukraine during in 2007 constituted UAH **4 200**, the salary of a senior expert constituted UAH **4 000**. In comparison with 2006 the salary of employees of SCFM of Ukraine in 2007 rose by 8%.

The staff of SCFM of Ukraine constituted **338** people, **162** in regional divisions, as of January 1, 2008 the quantity of employees was elevated by **22%** in comparison with 01.01.2007 (**58** people).

The Symbolic of SCFM of Ukraine

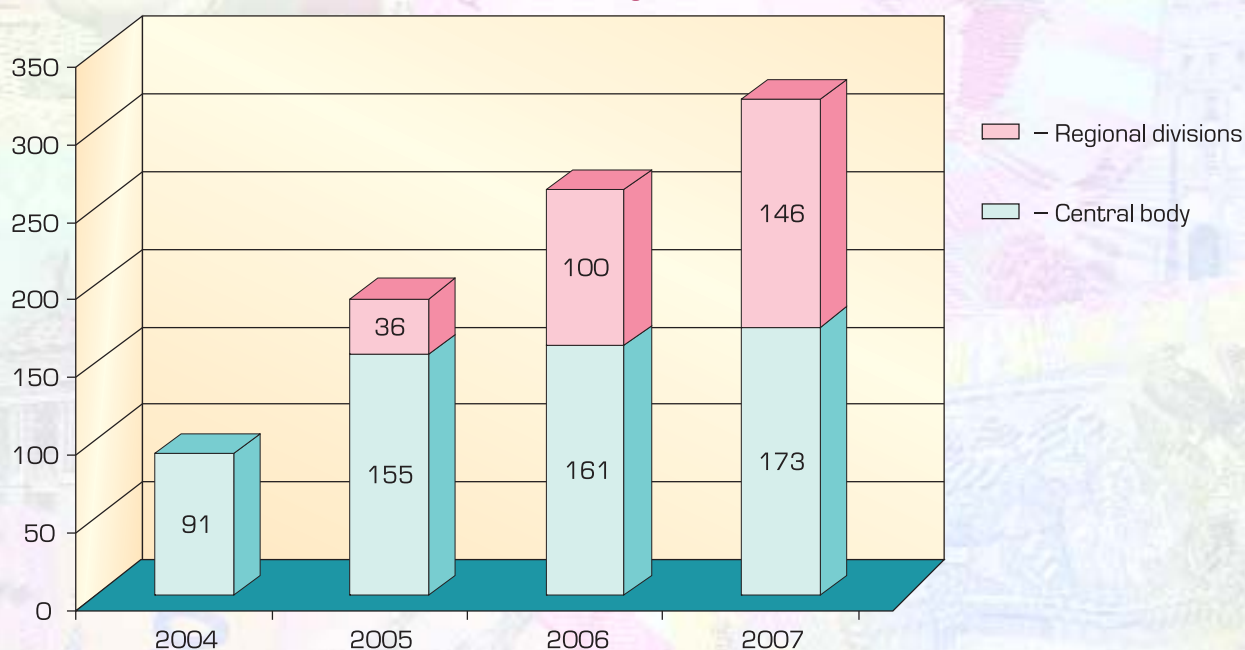


The structure of using SCFM budget assignments in 2007

Direction of expenditures	Amount (thousand UAH)
Wages and wage upholding	23 616,7
Payment of public utilities and energy consumption	1 738,2
Payment of traveling allowance	437,3
Maintaining of the Training-Methodical Centre of SCFM of Ukraine	758,3
Acquiring of apartments for SCFM employees	458,3
Expenses for the State information and analytical system and other expenses to provide activity of the State Committee for Financial Monitoring of Ukraine (including regional divisions)	15 148,4
Total	42 157,2

Gender division of the employees constitutes **192** men and **127** women. **20** women (24 %) are within the managerial staff. For the present day **319** people (**173** in the central body, **146** in regional divisions) are working in SCFM of Ukraine.

Staff quantity dynamics of the State Committee for Financial Monitoring of Ukraine in 2004-2007



Total amount – 319 people, the average age is 37 years



– 40%



– 60%

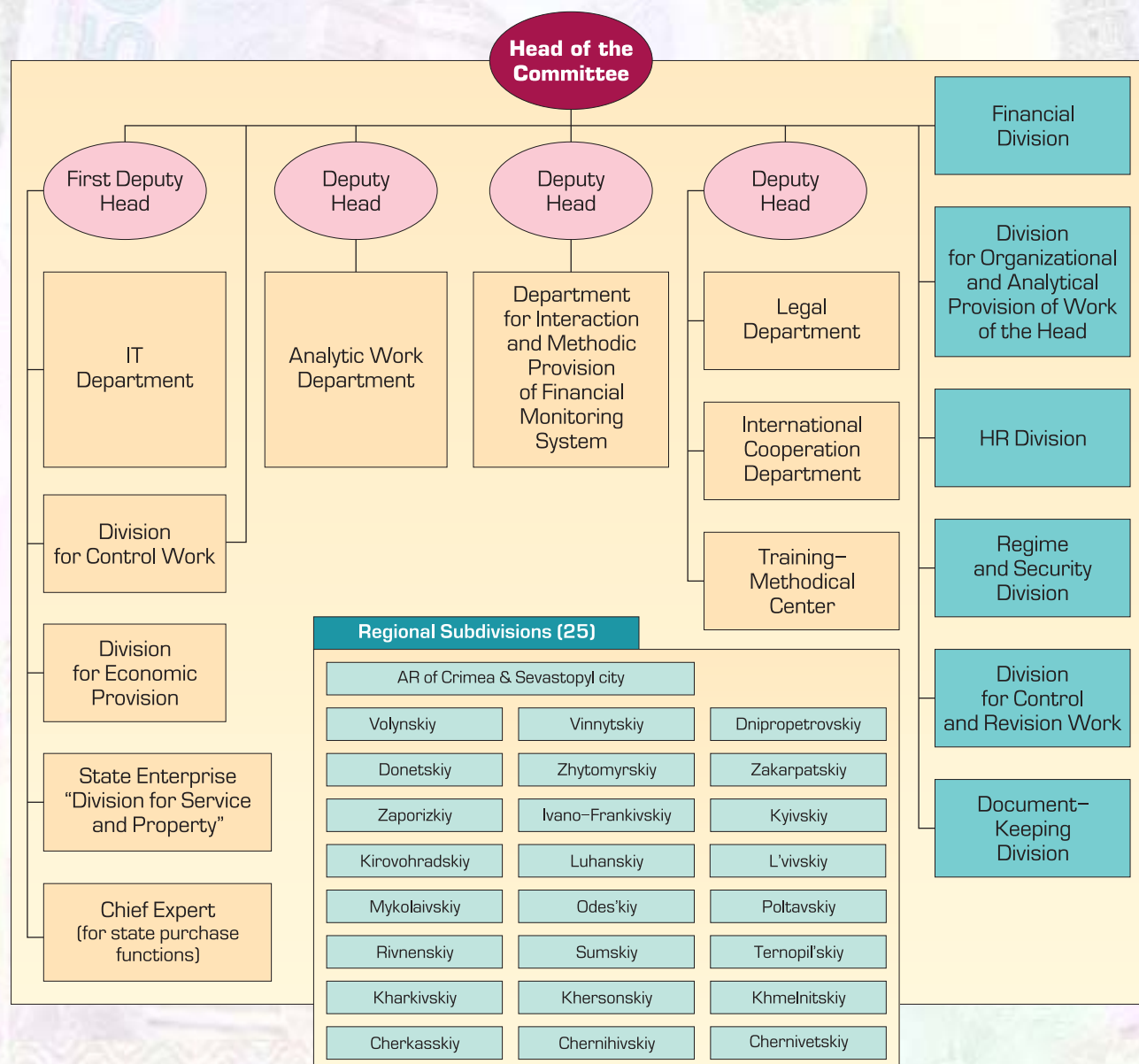
During 2007 SCFM held **6** meetings of the Vacancy commission. **97** people took part in this competition. Under the results of competition **89** people were assigned and **4** civil servants of SCFM of Ukraine were promoted.

Under the results of probation of the civil servants that is held in order to get practical experience, to check professional level and with the purpose of carrier development in SCFM of Ukraine, **10** employees were promoted.

To consult community in AML/CTF sphere within SCFM exist the Public Council.

During this year there were 4 meetings of the Public Council. During these meetings the drafts of legal acts that were elaborated by the SCFM of Ukraine and

The structure of the State Committee for Financial Monitoring of Ukraine



submitted for public consideration. Also acute issues on the Committee's activity and problem issues of the entities of initial financial monitoring – representatives of the Public Council were discussed. At the same time the meetings of the Public Council within SCFM of Ukraine fostered the initiation of an active dialog between authorities and public. Issues raised during the meetings of the Public Council that needed separate discussion, advanced establishment on the regular basis of

trainings for certain categories of reporting entities to discuss the problem issues that non-state regulators had in the process of realization of state policy in AML/CTF sphere.

During the reported year there were training seminars for the entities of initial financial monitoring on financial monitoring in AML/CTF sphere in the framework of which there were meetings of round tables and press-conference for mass media. Particularly, events organized by SCFM

representatives with participation of mass media were held in 20 regions – Vinnyts'ka, Volyns'ka, Zakarpats'ka, Zaporiz'ka, Zhytomyrs'ka, Ivano-Frankivs'ka, Lugans'ka, Lvivs'ka, Mykolaivs'ka, Odes'ka, Poltavs'ka, Rivnens'ka, Sums'ka, Ternopils'ka, Khmelnyts'ka, Khersons'ka, Chernivec'ka, Chernigivs'ka, Cherkas'ka regions and AR of Crimea.

Moreover, in the frameworks of Egmont Group meetings in October 2007 the press-conference of the Head of SCFM of Ukraine Mr. Serhiy Hurzhiy for the representatives of mass media was held.

The Deputy Head of the SCFM of Ukraine Mr. Oleksiy Feschenko participated in the program of the 5 channel "Especially dangerous", where the activity of the Committee was presented

and the Deputy Head Mr. Valeriy Kirsanov gave the interview to the program "Dialogs: analytics" and the "Capital" released on UBC TV channel.

In 2007 administration of SCFM of Ukraine gave 9 interviews and comments for mass media. During this period more than 200 informative messages were placed in official web-site of SCFM and sent to leading mass media. Besides, the comments of Head of SCFM of Ukraine Mr. Serhiy Hurzhiy and his deputies on state policy in AML/CTF sphere were published in the "Visnyk Podatkovoi Sluzby" (Messenger of the Tax Service), "Ekonomicheskie Izvestiya" (Economic News), "Delovaya Stolitsa" (Business Capital), "Delo" (Business), "Express", "24" and in other.

Official web-site of SCFM of Ukraine (<http://www.dkfm.gov.ua>)



2. Development of the AML/CTF Legislation

Joint Resolution of the Cabinet of Ministers of Ukraine and the National Bank of Ukraine, Directive of the Cabinet of Ministers of Ukraine, Directive of the State Commission on Regulation of Financial Services Markets, a range of orders of SCFM of Ukraine registered in the Ministry of Justice of Ukraine and were adopted, as well as Draft Law of Ukraine "On Amendments to the Law of Ukraine on Prevention and Counteraction to Legalization (Laundering) of the Proceeds from Crime" (№ 2847) was elaborated during 2007.

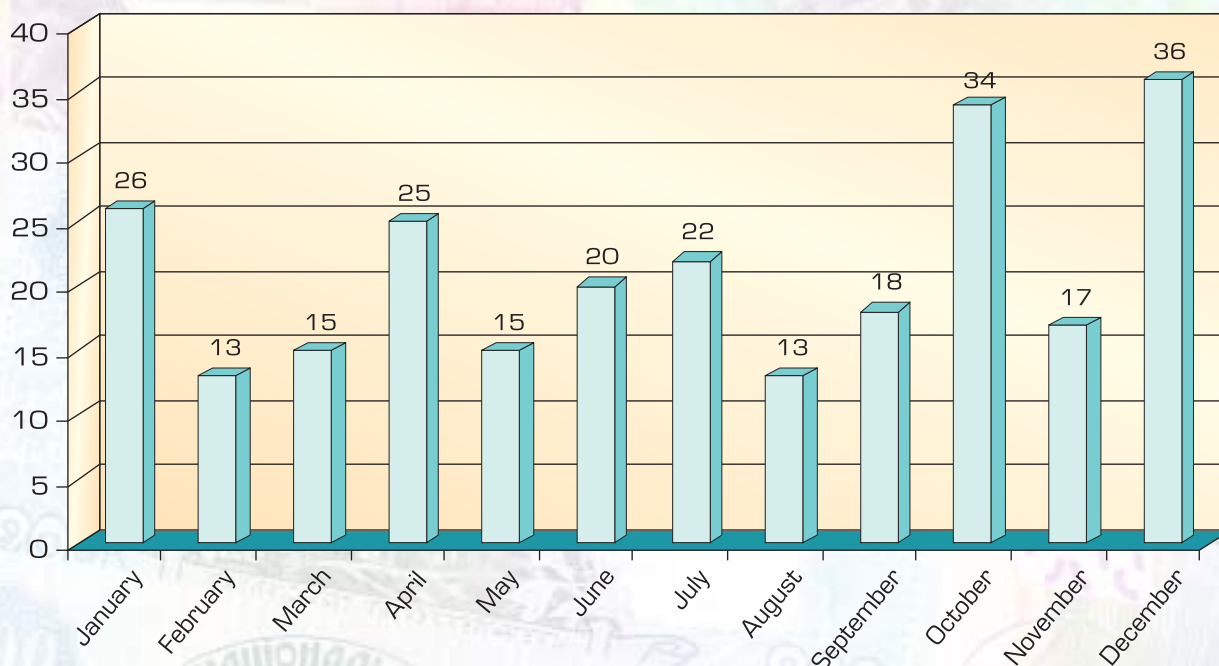
This Draft Law is aimed at assuring adherence to the FATF 40 Recommendations adopted during FATF Berlin Plenary in June 2003, FATF XI Special Recommendations on counteraction to terrorist financing, Convention of the Council of Europe on Laundering, Search, Seizure and

Confiscation of the Proceeds from Crime and Terrorist Financing and International Convention on Counteraction to Terrorist Financing.

On June 19, 2007 the Verkhovna Rada of Ukraine adopted the Draft Law of Ukraine "On Amendments to the Law of Ukraine on Prevention and Counteraction to Legalization (Laundering) of the Proceeds from Crime" № 2847, as the Law that did not entered into force due to recognition of work of the Vekrhovna Rada in that period not legitimate.

During 2007, **254 orders and 130 directives** on general activity issues of SCFM of Ukraine were adopted.

The dynamics of the preparation of the Orders of the SCFM of Ukraine



3. Statistics of reports received

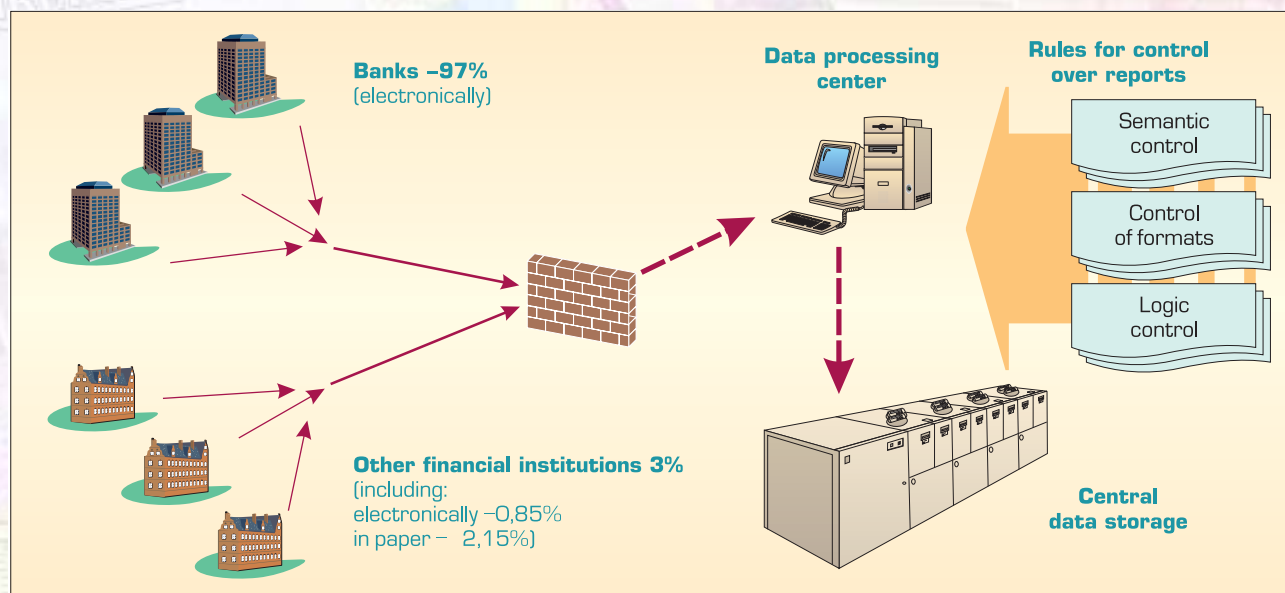
3.1. General statistics of reports received

SCFM of Ukraine receives from financial intermediaries information on financial transactions that in accordance with national legislation are subject to mandatory reporting or transaction suspected to be related to money laundering and terrorist financing.

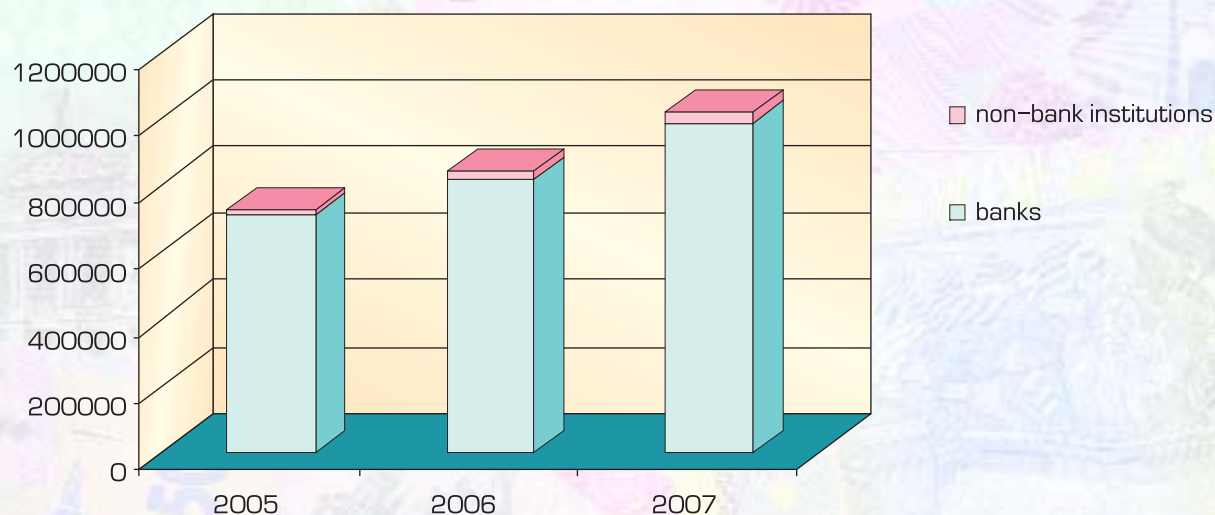
From the beginning of system exploitation **3 620 512** reports were received, among them **1 022 858** reports were received during 2007 including:

- **Banking institutions** (in electronic form) – 988 649
- **Non-banking institutions**
 - ♦ In electronic form – 16 720
 - ♦ On paper – 17 489

Scheme of collection and processing of reports on financial transactions



Dynamics of received financial transactions reports from banks and non-bank institutions in 2005–2007



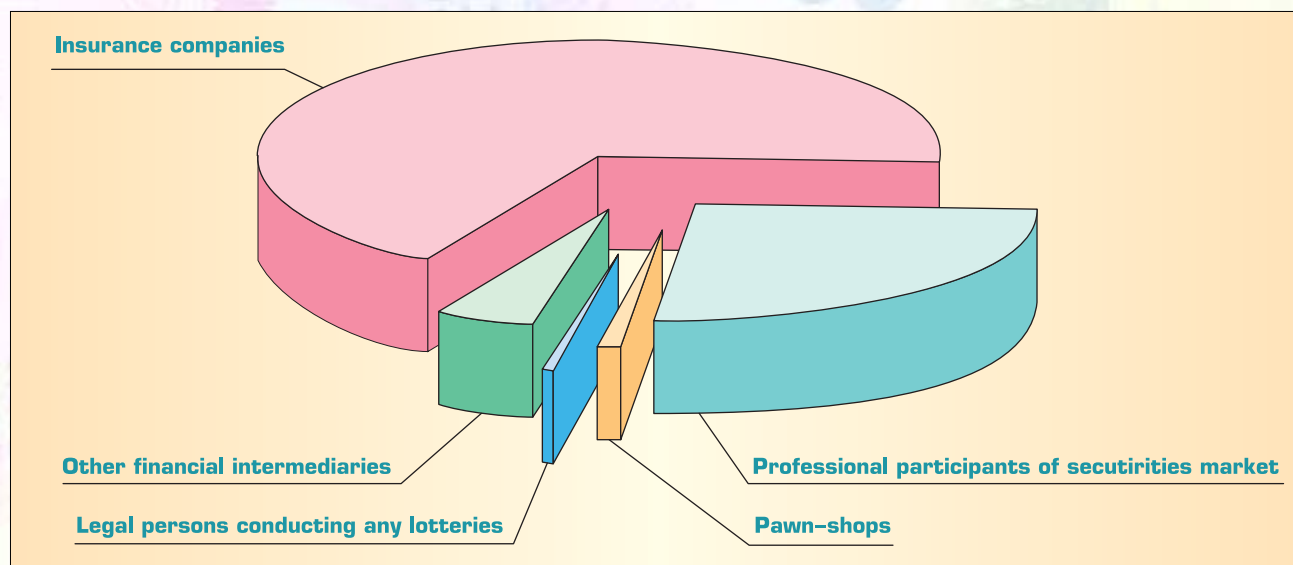
3.2. Dynamics of reports recieved by SCFM of Ukraine from reporting entities

Among non-banking financial intermediaries the insurance sector is the most active report provider. The percentage of such reports in non-

banking sector constitutes 67.9%.

- Insurance companies – 23 024
- Professional participants of securities markets – 8 992
- Pawn shops – 364
- Legal entities conducting any lotteries – 224
- Other financial intermediaries – 1 581

Quantity of reports according to types of entities of non-banking financial sector were received by the State Committee for Financial Monitoring of Ukraine in 2007



In 2007 reports on transactions with participation of natural and legal persons of Great Britain, Cyprus, Russian Federation, British Virginian Islands, USA, Israel, Germany, Kyrgyzstan, the Netherlands and Turkey were the most frequent.

Financial transactions subject to financial monitoring conducted by the residents of the "top 10" foreign countries-leaders on such transactions in 2007 (in comparison with 2004–2006) are shown in the table.

The country of registration or citizenship of the participant of a financial transaction	Quantity of notifications on financial transactions			
	2004	2005	2006	2007
Great Britain	742	1865	2008	3724
Cyprus	320	2548	2493	3624
Russian Federation	773	1871	1877	2993
British Virginian islands	439	709	697	1261
USA	1553	1409	1243	1033
Israel	164	350	286	801
Germany	319	1045	845	781
Kyrgyzstan	17	166	299	271
The Netherlands	76	258	211	265
Turkey	100	176	176	264

4. Analytical Activity

4.1. Information analysis process

SCFM of Ukraine in compliance with its powers carries out collection and processing of information received from financial intermediaries, on financial transactions subject to financial monitoring.

Information to be analyzed comes from such sources:

- Reporting entities;
- Law-enforcement agencies;
- Regulators and other state bodies;
- FIUs
- Open sources (Internet, commercial data bases).

Grounds for money laundering suspicion SCFM reflects in case referrals based not only on its own conclusions but also using documents, proving information of law-enforcement agencies and foreign partners.

If signs of possible legalization (laundering) of the proceeds from crime or terrorist financing are revealed, a case referral is prepared and submitted for consideration of the Expert Commission.

In 2007, **1 000 848** reports on financial transactions were registered. One report can have several signs of monitoring.

Breakdown of registered in this year reports according to the signs of financial monitoring is the following:

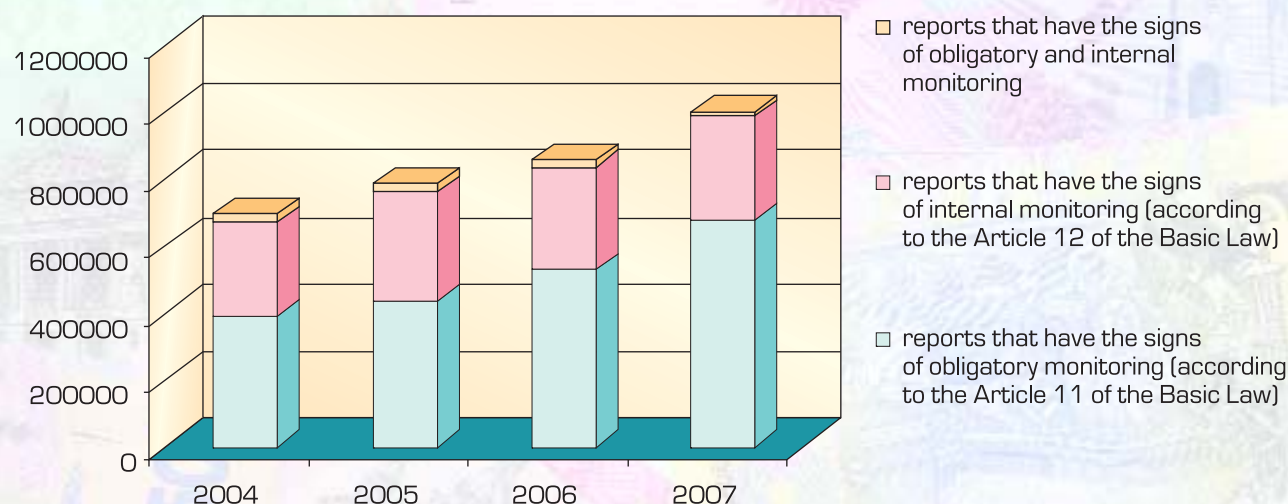
- with indicators of obligatory monitoring – 67.74%
- with indicators of internal monitoring – 30.87 %
- with indicators of obligatory and internal monitoring – 1.39 %

There is a tendency of increasing percentage of mandatory reports, in the structure of received reports from financial intermediaries in comparison with previous period.

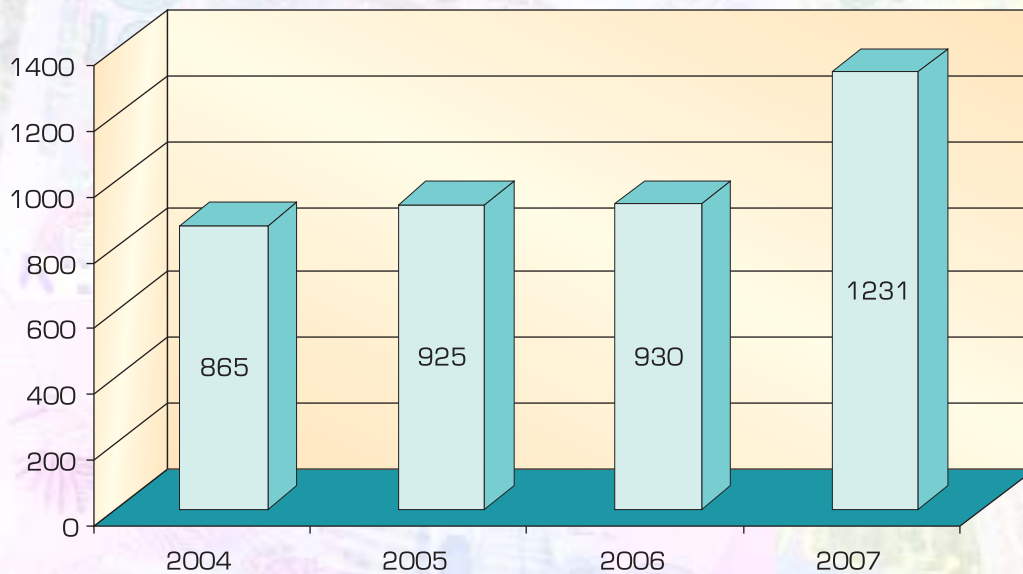
Simultaneously percentage of reports with internal monitoring indicators is decreasing, caused by more detailed study of financial transaction by financial intermediaries and on progressive reduce of practice to inform "just in case".

In 2007 SCFM of Ukraine worked in a stable regime gradually elevating the level

Dynamics of reports received according to the signs of financial monitoring in 2004 – 2007



Dynamics of composition of dossiers in 2004 – 2007



of active analysis of financial transactions and created on their basic dossiers.

During the reporting period **194 756 reports were selected** for active analysis, which became a basis for composition of **1 331 dossiers**. It is **43.1% more** than in 2006.

4.2. "Laundering" schemes

Laundering of criminal proceeds is notable for intention of owners of criminal proceeds to export it abroad and try to legalize it through financial mechanisms of other states, including through external economic transactions. It often simplifies process of legalization of criminal proceeds.

At the same time according to the experience of SCFM of Ukraine, typical groups of transactions applied by criminals for laundering are following:

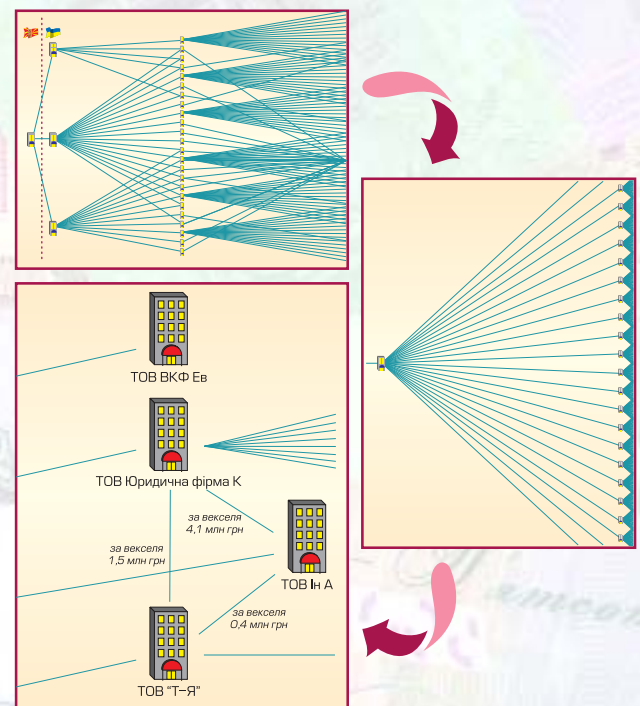
- illegal transfer of funds abroad;
- illegal cash transactions ("converting centers").
- purchase of land parcels for the expense of credit funds;
- pseudo-export (cargo–customs declarations with signs of falsification,

overpriced export or export to non-existent companies];

– non-residents' transactions with securities.

Most often money laundering schemes represent complicated mechanisms. The scheme may contain hundreds of entities

Money laundering scheme



and chains of thousands of transactions not linked to each other for the first sight. At the same time it can contain complex of linked transactions and techniques, such as cash withdrawal transactions, transactions with purchasing of securities, settling with non-residents from off-shore zones/jurisdictions, fictitious external economic transactions and illegal VAT reimbursement from budget, falsification of documents, use of theft passports, establishment of fictitious companies etc.

Example 1.

"Scheme of funds transfer abroad"

For the purpose of legalization of the proceeds from crime group of acting Ukrainian companies transfer funds to transit fictitious companies as payment for "pseudo-commodities".

The last in its turn emit promissory notes and funds received for guarantee these promissory notes, are being

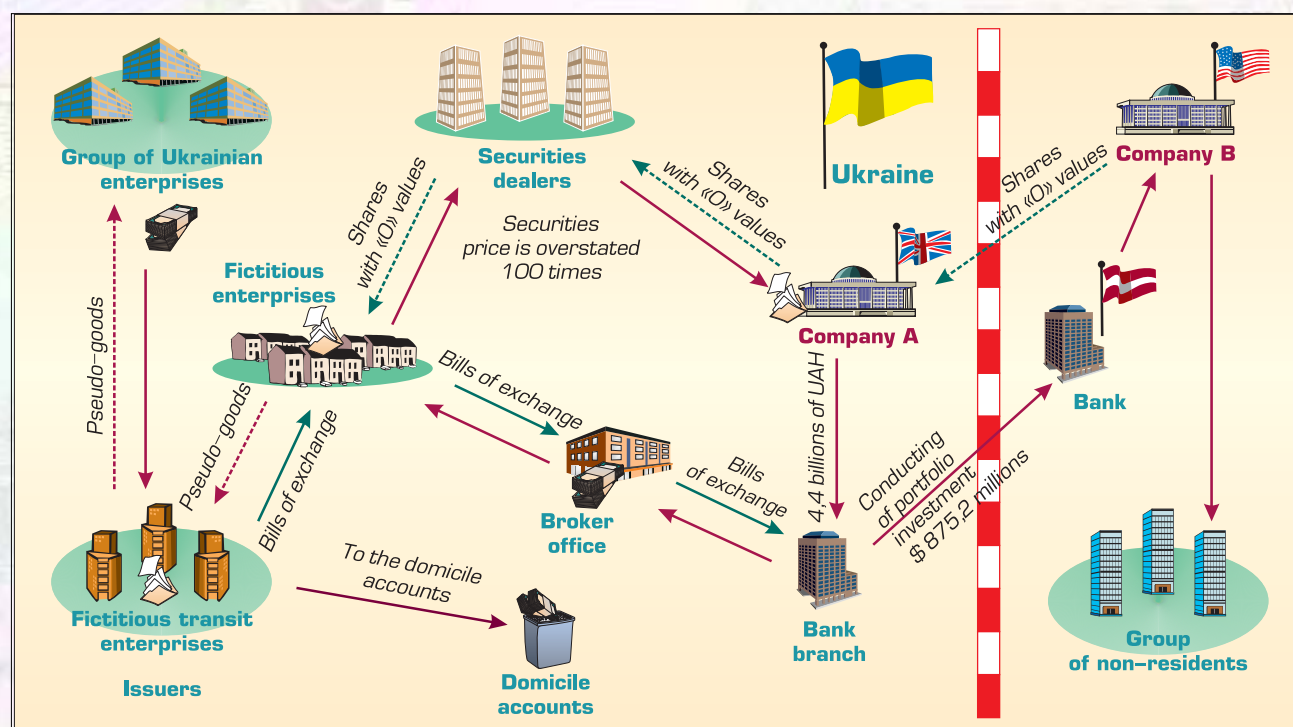
transferred to the accounts of a domicile, opened at the Branch of the Bank. The promissory notes are transferred as payment for "pseudo-commodities" to the group of fictitious companies and are finally being accumulated at a trader in securities Broker office.

The Broker office pays for received promissory notes to the group of fictitious companies by funds from accounts of a domicile presenting promissory notes for payment to the Branch of the Bank.

Fictitious companies, in its turn, though traders in securities purchase hundreds times overpriced stocks of "O" value at British Company A. The last had purchased the named stocks at Company B registered in the USA.

Operation of this scheme allowed Company A to transfer funds at total amount of \$875 million, or UAH 4 billion 419 million, through the Branch of the Bank to its own accounts in Latvian bank as return of portfolio investment. Afterwards

Scheme of funds transfer abroad





Section 1
Section 2
Section 3
Section 4
Section 5
Section 6
Section 7
Section 8
Section 9
Section 10
Section 11

Company A transferred funds from its accounts in Latvian bank to accounts of Company B in the same bank. The last distributed those funds by directions according to initial order of the same group of acting Ukrainian companies.

Moreover, it worth mentioning that according to information of UK competent authorities, Company A reports about null activity, and Latvia presented clarifications of representative of Company A, who declared that he had never provided investment activity in Ukraine and had not been involved in currency transactions.

It attracts attention that turnover of activity of traders in securities involved in the scheme aggregated 12 billion UAH and taxes paid amounted only 141 thousand UAH.

Tax authorities initiated criminal case, which is being investigated. In the course of operative activities premises of banking institutions and companies involved into the scheme were searched. In result of searches documents and instruments of commitment of crime were withdrawn. As a result almost 9 million UAH were arrested at the accounts.

Example 2.
Transactions in the "converting" centre in one of the regions of Ukraine

According to the Article 13 of the Law of Ukraine "On Prevention and Counteraction to Legalization (Laundering) of the Proceeds from Crime" SCFM of Ukraine prepared and submitted case referral to be checked to the State Tax Administration in Dnipropetrovsk region.

In compliance with the results of these case referral analysis the State Tax Administration and the Prosecutors Office in Dnipropetrovsk region in the framework of proceedings initiated under signs of

crimes, provided for by the Article 209 p.3 (Legalization (Laundering) of the Proceeds from Crime) and the Article 364 p.2 (Power Abuse or Malfeasance) of the Criminal Code of Ukraine at the beginning of March eliminated criminal activity of the "converting" centre.

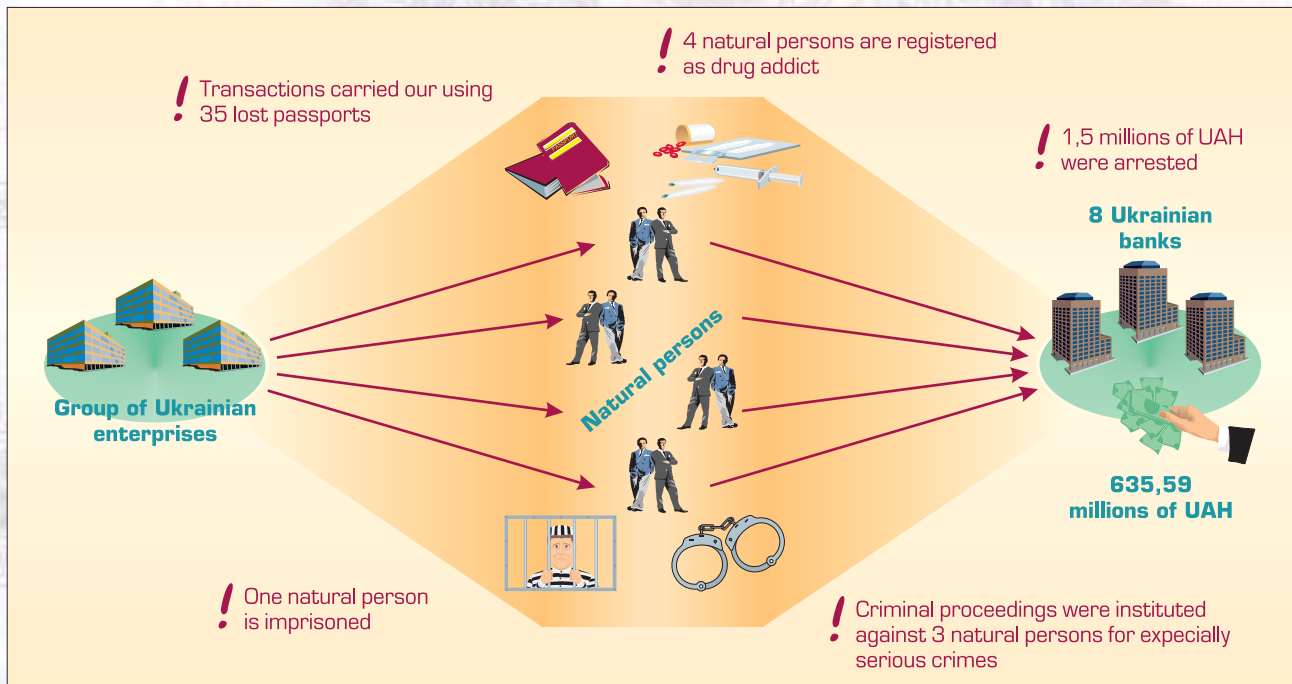
In the course of verification it was found out that the enterprises—customers of the "converting" centre transferred cashless money according to non-commodity agreements to the accounts of "buffer" and "bogus" enterprises. Later cash withdrawal was carried out with a help of check-books from private entrepreneurs accounts. It should be mentioned that converted funds turnout constituted approximately 1 million UAH per day.

Cash withdrawal was conducted in accordance with a complex scheme using several cars, the drivers of which secretly concealed a person who received money in a bank. At the same time involved persons constantly checked whether there was a chase of law-enforcement agencies. All participants of this criminal group every month changed not only the numbers of their phones but phones sets as well. In a case of armed conflict the criminals were used to wearing fire and other trauma-effect weapon.

After arresting an organizer of the "converting" centre and carrying out his personal ransack fire weapon was revealed and seized: carbine "Saiga" with live cartridges and trauma-effect pistol which he tried to use being detained.

The detention was followed with the search in the "converting" centre and in the domicile of its participants. While carrying out the search the seals of "buffer", "bogus" and private enterprises used in the schemes of illegal funds converting, signature facsimile of enterprises officials and entrepreneurs,

"Converting" centre transactions in one of regions of Ukraine



the machine gun and 74 live cartridges, 6 items of trauma-effect weapon, 6 check-books, 4 flash-cards containing schemes on illicit cashless funds converting into cash, 35 passport copies of fictitious persons involved into criminal schemes were ejected.

To prevent withdrawal of large sum of money out of a legal turnout in banking institutions involved in criminal schemes a seizure was imposed on enterprises accounts used in illicit converting schemes and 1 million 500 thousand UAH were frozen.

The organizer is arrested. A criminal expertise of ejected weapon and further collection of information are being conducted. The investigation is underway.

Example 3.

Land purchase transactions through fictitious persons

Regional State Administration allocated 90 hectares of land to create

garden partnership the members of which became approximately 500 students. As it was found out later mentioned students were fictitious owners of land allotments. Further, in accordance with sale-purchase agreements ownership right was transmitted from students through a range of natural persons to other 4 natural persons.

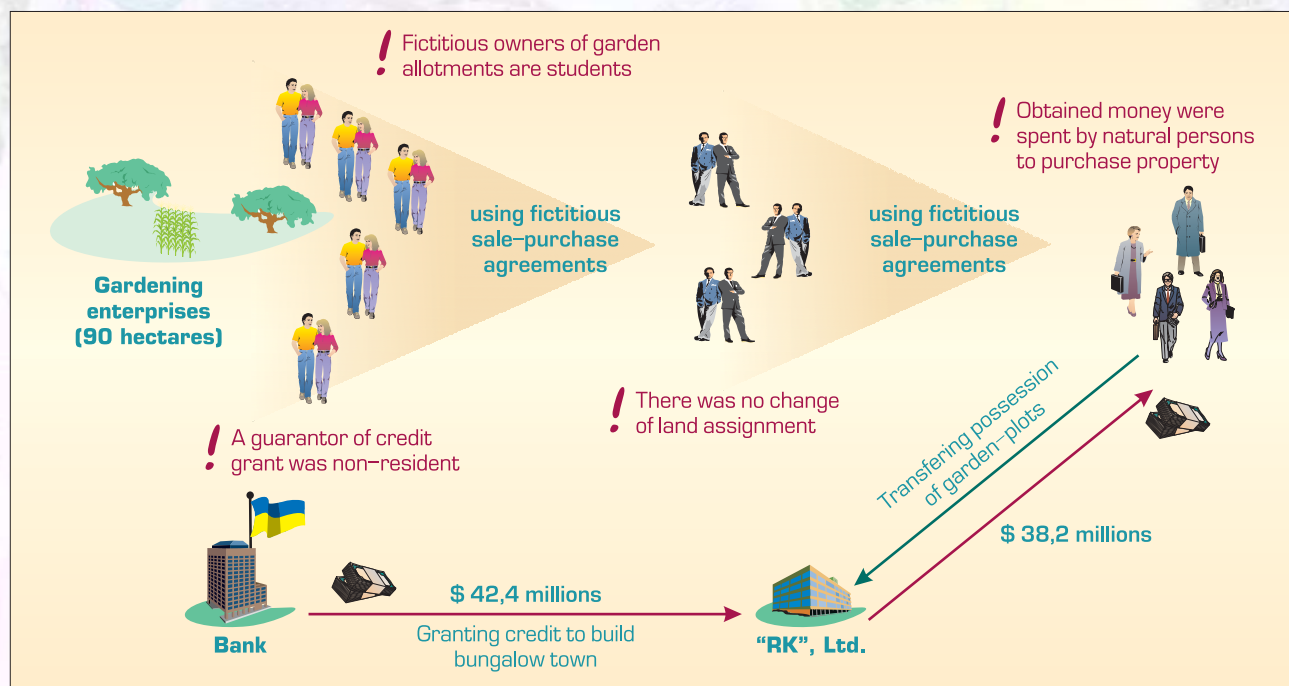
They sold garden allotments to LLC "RK" for 38.2 million USD and later they deposit received money on accounts and use this money to purchase movable and immovable property.

In the course of investigation it was found out that LLC "RK" was granted a credit in amount of 42.4 million USD to build a cottage village but there was no change of land assignment on any stage of conducted transactions.

A guarantor of credit grant to the bank was a natural person – non-resident of Ukraine.

It should be noted that in compliance with Ukrainian legislation in the case of

Land purchase transactions through fictitious persons



untimely credit return or in the case of impossibility to return it the property (land in this case) can be passed on to a non-resident.

At the same time non-residents can not be owners of land in Ukraine. Thus, special conditions are created to take illicit possession of the land allotment by certain non-resident and use legislative gap trying to avoid direct legislative norms prohibiting non-residents to purchase land.

Case referrals were transmitted to the Security Service of Ukraine. Presently secret service case was initiated and in the framework of it a check-up is being conducted.

Example 4.

Export money through Ukraine using transit

The State Committee for Financial Monitoring of Ukraine carried out analysis of financial transactions conducted by

newly founded company A – resident of Ukraine, the founder of which is a 18-year old person.

In the course of investigation it was found out that this company concluded delivery agreements with companies – non-residents that have accounts in Russian banks. Above mentioned companies transferred money to company A.

Later Russian rubles were converted into US dollars and transferred to other companies – non-residents, accounts of which are open in the banks of Baltic countries, Cyprus, Switzerland (as to pay delivery of goods).

In the course of banking documents analysis it was revealed that the consignment of goods was all the time in Kazakhstan and was not transported.

Cooperating with FIU of Russian Federation it was found out that money remittance to companies – non-residents which have accounts in Russian banks was conducted by companies-residents of

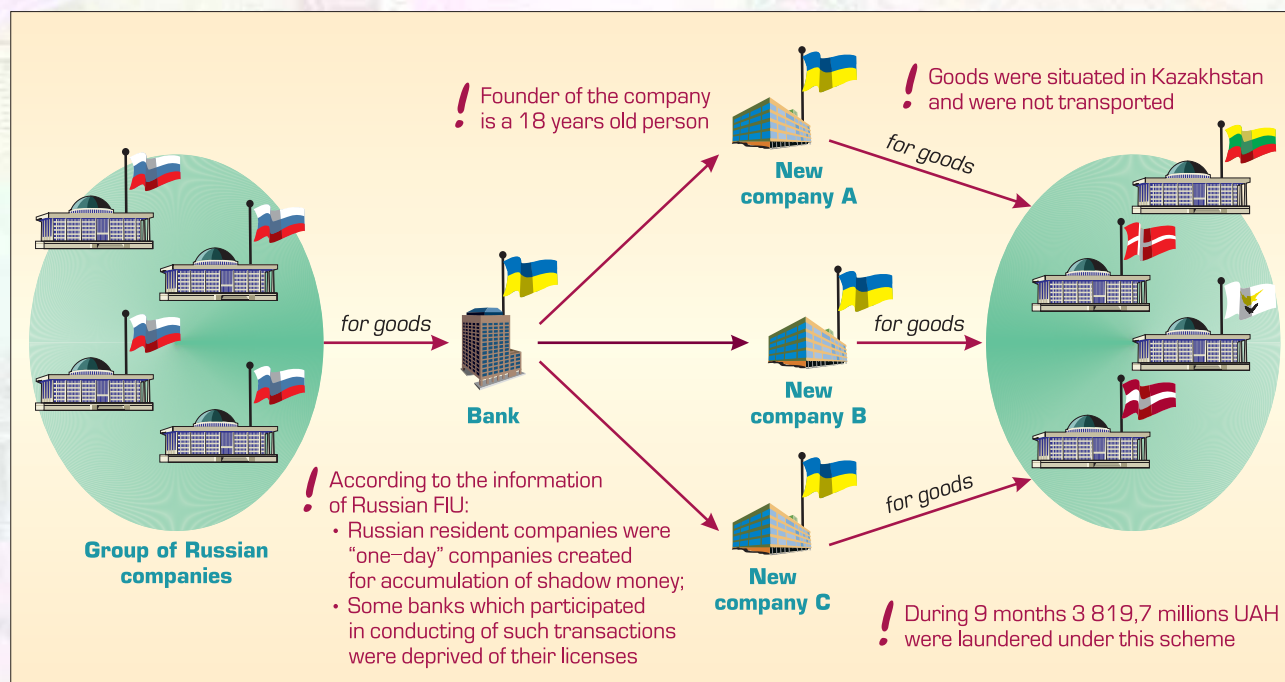
Moreover, FIU of Russia informed that some of Russian banks were deprived of license to conduct banking activity because of violating requirements provided for by the Federal Law on Counteraction to Legalization (Laundering) of the Proceeds from Crime and Terrorist Financing.

In total, more than 70 companies – non-residents registered in different countries of the world were involved into this scheme.

Criminal proceedings under materials being submitted to the law-enforcement

4.3. Typologies

Examples of real cases related to legalization (laundering) of the proceeds from crime are represented in typologies. Very often these are mechanisms containing complex, intricate, multi-chain transactions.



5. Case Referrals

5.1. Case referrals consideration by the law-enforcement agencies

The procedure of submitting by SCFM of Ukraine case referrals on suspicious financial transactions and receiving information on their analysis is regulated by common orders of SCFM and law-enforcement agencies.

All case referrals are submitted to the law-enforcement agencies on condition of preliminary consideration and approval by the Expert Commission on consideration of case referrals, to be submitted to law-enforcement agencies. Members of this Commission are representatives of all law-enforcement agencies.

At the same time, every three months SCFM of Ukraine with the law-enforcement agencies conduct verification of all data on the state of case referrals consideration and compose the Verification reports.

Case referrals registration and the state of their consideration are carried out with assistance of Control case referrals registration card. Case referrals are submitted to the law-enforcement agencies in paper and electronic form.

During 2007 SCFM of Ukraine submitted **520** case referrals to the law-enforcement agencies. It is **16.6% more** in comparison with 2006. Mentioned case referrals were prepared on the base of **264 688** reports on financial transactions subject to financial monitoring that is **27.3% more** than in 2006.

Case referrals were submitted to:

- General Prosecutors Office – **47**;
- State Tax Administration of Ukraine – **169**;
- Ministry of Internal Affairs

of Ukraine – **145**;

- Security Service of Ukraine – **159**.

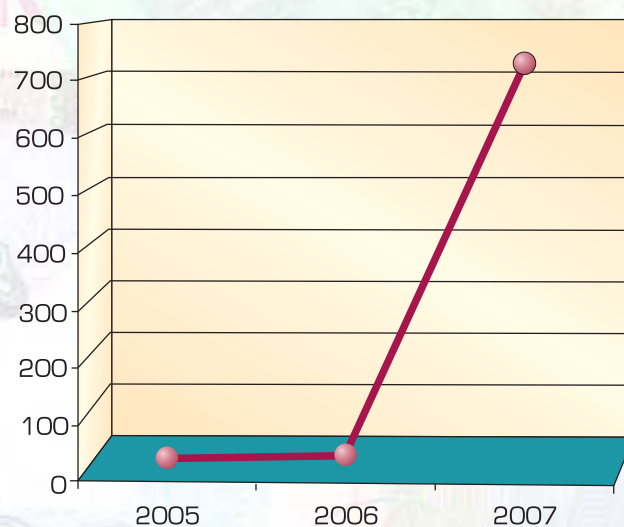
Possible legalization amount constitutes **53.3 billions UAH**. It is **12.0%** more than in the similar period in 2006.

During 2007 as a result of conducted analysis SCFM of Ukraine prepared and submitted to the law-enforcement agencies case referrals on suspicious financial transactions related to illicit money transfer abroad in amount of **17.37 billions UAH**.

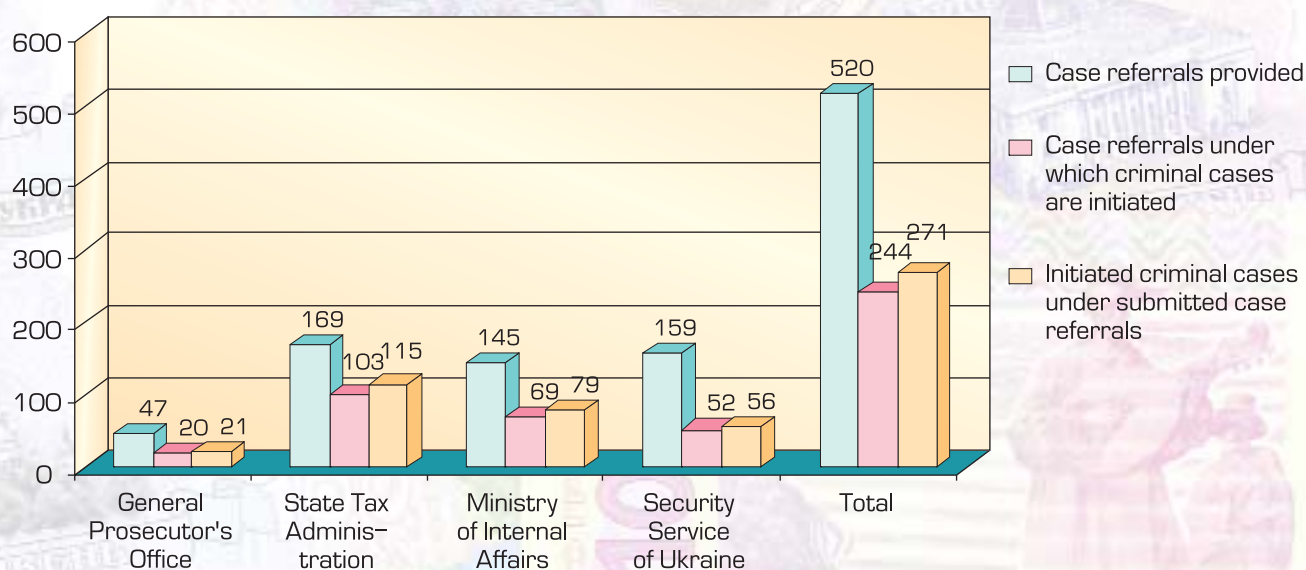
Besides, the law-enforcement agencies received **197** case referrals, in which financial transactions are related to cash withdrawal in total amount of **17.38 billions UAH**.

According to information of the law-enforcement agencies received in 2007 as a result of criminal cases investigation, **24.7 millions UAH** were seized, including funds on accounts in amount of **14.6 millions UAH**, as well as property in

The property arrested (seized) by the law-enforcement agencies during 2005 – 2007 (as of 01.12.2007) under materials of the State Committee for Financial Monitoring of Ukraine



Consideration of case referrals by the law-enforcement agencies in 2007



total amount of **695.8 millions UAH** was taken, including funds in total amount of **3.22 millions UAH**.

During 2007 general, regional and appealation courts of Ukraine considered **234** criminal cases under Article 209 of the Criminal Code of Ukraine.

During 2007 the courts passed **211 sentences** under above the mentioned Articles.

Under results of verification there are **244** case referrals, **271** criminal cases are being investigated by the law-enforcement agencies, among them

Consideration of case referrals by the law-enforcement agencies in 2003-2007

Indices	2007					Total for 2003-2007				
	General Prosecutor's Office	State Tax Administration	Ministry of Internal Affairs	Security Service of Ukraine	Total	General Prosecutor's Office	State Tax Administration	Ministry of Internal Affairs	Security Service of Ukraine	Total
Case referrals submitted	47	169	145	159	520	171	407	413	478	1469
Case referrals under which criminal cases were initiated or which were used during initiating	20	103	69	52	244	98	213	160	130	601
Case referrals under which criminal cases were not initiated because of article 6 of the Criminal Procedure Code of Ukraine	6	43	37	19	105	24	81	88	29	222
Initiated criminal cases under case referrals submitted (or which case referrals were used in)	21	115	79	56	271	86	221	170	119	596
Criminal cases submitted to the courts	2	20	11	7	40	6	28	19	7	60
• Out of them considered by the courts that passed a sentence	0	10	4	11	25	2	11	4	11	28

40 are submitted to courts. Other criminal cases are under investigation.

5.2. Examples of courts sentences

SCFM of Ukraine in the course of conducted analysis of financial transactions of legal and natural persons to disclose possible scheme of criminal proceeds legalization has revealed such scheme.

The base of this scheme was the enterprise P. that was founded by the citizen of Ukraine Mr. R. the enterprise conducted financial transactions related to:

- transfer of cashless money to the accounts of natural persons in total amount of 10.91 million UAH;
- transfer of cashless money to the card accounts of natural persons in total amount of 7.61 million UAH;
- cash withdrawal by natural persons from accounts of the enterprise P. granting a loan to the employers in total amount of 99.28 million UAH.

Case referrals that content the information on 291 financial transactions were submitted to the law-enforcement agencies.

Sum of money suspected in legalization constituted **117.8 million UAH**.

Case referrals were incorporated by SCFM of Ukraine to the closed criminal case the proceedings under which were renewed only after their receiving. Later this criminal case on accusation of Mr. R of crime provided for the Article 205 part 2 of the Criminal Code of Ukraine was considered in the open court sitting.

The court passed a guilty verdict for of Mr. R for asquiescence for detection in creating bogus entrepreneurship, which activity caused great property damage to the country, as well as he was convicted

under the Article 27 part 5 and the Article 205 part 2 of the Criminal Code of Ukraine for 3 years of imprisonment.

Besides, SCFM of Ukraine revealed the activity scheme of the enterprises "S", "X", "M" that were founded and managed by one natural person – citizen "K". These enterprises conducted financial transactions related to:

- payment and prepayment for agricultural products;
- replenishment of card accounts by natural persons;
- redemption of accounts payable.

The suspicions related to the feasibility of money "conversion". The amount suspected in the legalization constituted **51 mln. hryvnias**.

SCFM case referrals were incorporated to the materials of the criminal case on accusation of the citizens "L", "K", "V" and "P" for committing of crimes provided for by the Articles 112, 366, 209 of the Penal Code of Ukraine.

Under the results of investigation the case was submitted to the court. According to the court's sentence brought in June 2007:

- citizens "L" and "K" were found guilty in crimes, convicted to 8 years of imprisonment with deprivation of the right to carry out entrepreneur activity for 2 years with confiscation of the property.
- citizens "V" and "P" were found guilty in crimes and convicted to 5 years of imprisonment. They were released from serving their sentence with a probation period for 3 years with a further deprivation of the right to carry out entrepreneur activity for 2 years.

6. Information System Development

6.1. Unified information system

In the spring of 2003 SCFM of Ukraine according to the Article 13 of the Law of Ukraine "On Prevention and Counteraction to Legalization (Laundering) of the Proceeds from Crime" started establishment of unified state information system in anti-money laundering and counter terrorist financing sphere (USIS).

The first stage of this work was establishment of Information Analysis System of SCFM (further IAS). IAS provided starting from June 12, 2003 (when the Basic Law came into force) automation of the SCFM activity on collection, processing and analysis of information. IAS structure is three separated subsystems realizing basic functions on collection and analytical processing of financial transactions reports:

- analytical segment (conducting of information analysis on financial transactions that became target of financial monitoring);
- general segment (carrying out of collection and processing of information on financial transactions that became target of financial monitoring, as well as information on financial intermediaries, other service information with limited access);
- internet segment (interaction with non-banking institutions, financial intelligence units; provision of methodical assistance to financial intermediaries and informing on SCFM's activity).

The second stage of the work represented establishment of the Unified State Information System in AML/CTF sphere in compliance with the Decree of President of Ukraine "On Measures on AML/CTF System Development" dated

July 22, 2003 № 740/2003 and the Directive of the Cabinet of Ministers of Ukraine "On Unified State Information System in AML/CTF sphere" dated December 10, 2003 № 1896. The Unified Information System of financial monitoring is being built as an interagency system that conducts organization of information support for decision taking and interaction of central bodies of state power.

6.2. Establishment of secure multi-service automated corporative system

Structural and functional analysis of automatic subsystems of IAS and UIS FM showed necessity for development of secured information technologies of interaction with regional divisions.

2005 was the year that started transformation of automated systems of the State Committee for Financial Monitoring (IAS and UIS FM) in order to incorporate these systems and specialize them according to their functions, in particular to separate two subsystems UIS FM and FinNet (secured multi-service automated corporative system of SCFM of Ukraine).

Secured multi-service automated corporative system of SCFM of Ukraine provides extension of information interaction between structural divisions of the State Committee for Financial Monitoring of Ukraine through integration and development of current and implementation of new soft hardware, communication systems and enhancement of analytical, informational, software and other provision of all FinNet channels on the united methodical background.

Unified information system of financial monitoring (UIS FM)

According to the Directive of the Cabinet of Ministers of Ukraine dated March 1 2007 № 83 the State Commission on putting into industrial operation of the Unified State Information System was created. The Commission put into industrial operation the Unified information system in AML/CTF sphere on March 14, 2007.

UIS FM is composed of such elements:

- central subsystem;
- Informational and telecommunication system of financial monitoring;
- subsystem of provision;
- functional subsystems.

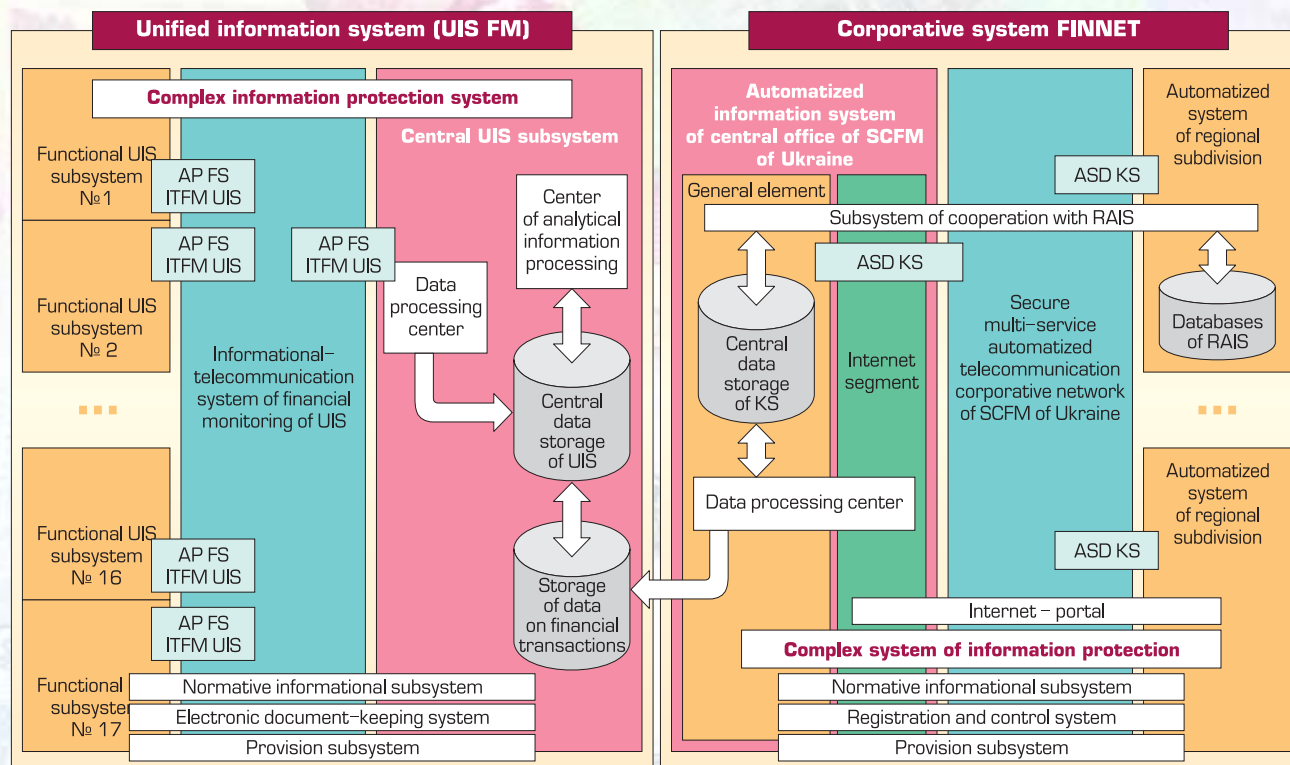
Functional subsystems are:

- subsystems of the Ministry of Internal Affairs of Ukraine;
- subsystems of the Ministry of Economy of Ukraine;

- subsystems of the State Tax Administration of Ukraine;
- subsystems of the State Customs Service of Ukraine;
- subsystems of the State Commission on Regulation of Financial Services Markets of Ukraine;
- subsystems of the State Stock Market and Securities Commission of Ukraine;
- subsystems of the Main Control and Revision Office of Ukraine;
- subsystems of the Security Service of Ukraine;
- subsystems of the State Property Fund of Ukraine;
- subsystems of the State Committee on Statistics of Ukraine.

There were concluded agreements on information exchange and information protection in Unified Information System between the State Committee for Financial Monitoring of Ukraine and the State

General informational model of Corporative interaction system FINNET and UIS FM



Customs Service, the State Stock Market and Securities Commission, the Main Control and Revision Office, the State Property Fund, the State Committee on Statistics of Ukraine and the Ministry of Economy.

Since beginning of UIS FM operation, more than 3 million procedure requests on receiving additional information on persons-participants of financial transactions subject to financial monitoring or on entities of such transactions were processed and submitted to functional subsystems of this system.

Corporative system FINNET

In 2007 extension of secured multi-service automated corporative system of the State Committee for Financial Monitoring of Ukraine FINNET was continued. The quantity of regional divisions linked to FINNET increased up to 18. Other

regional divisions were linked under temporary scheme and will be transmitted to the main one after equipment and software being supplied in the framework of the Project against money laundering and terrorist financing in Ukraine (MOLI-UA-2).

Every of 18 regional divisions was granted with the access to the system of electronic document turnover, Internet, internal electronic mail, information resources of the State Committee for Financial Monitoring of Ukraine on entities of initial financial monitoring and results of submission and processing of the reports on financial transactions subject to financial monitoring.

2007 was marked with establishment of state expertise of complex information secured system FINNET in seven regional access points of Regional automated information system, central FINNET access point and Internet FINNET segment.

The Structure of UIS FM



7. Regional Subdivisions

7.1. Creation of regional network of SCFM of Ukraine

During 2007 there was completed creation of regional subdivisions of SCFM of Ukraine. Regional subdivisions of SCFM of Ukraine function in 25 regions: AR of Crimea, Vinnitsa, Volyn, Dnipropetrovs'k, Donetsk, Zhytomyr, Zakarpattia, Zaporizzhia, Ivano-Frankivs'k, Kirovograd, Kyiv, Lviv, Lugans'k, Mykolaiv, Odessa, Poltava, Rivne, Symi, Ternopil, Kharkiv, Kherson, Khmelnyts'kiy, Cherkasy, Chernivtsy and Chernigiv regions.

The main directions of the activity of regional subdivisions of SCFM of Ukraine are:

- tracking of case referrals submitted by SCFM of Ukraine to the law-enforcement agencies;
- forming of registry of financial intermediaries of the region;
- improving of interaction, information exchange and coordination of the activity of regional divisions of the state agencies in AML/CTF sphere at the regional level;
- coordination and methodical provision of the activity of reporting entities in the region.

7.2. Results of regional subdivisions activity

During 2007 regional subdivisions of SCFM of Ukraine have:

- formed and constantly renew registers of acting financial intermediaries and their separated divisions in the region;
- compiled and submitted to a court 51 protocols on administrative offences



Meeting of the International Monetary Fund representative Mr. Giuseppe Lombardo, Deputy Head of SCFM of Ukraine Mr. Yaroslav Yanushevych with Head of the Regional State Administration of Lviv Mr. Petro Oliynyk within events on evaluation of regional subdivisions activity

related to the failure to submit or untimely submission to SCFM of Ukraine of financial transactions reports subject to financial monitoring, committed by the officials of financial intermediaries responsible for financial monitoring;

- 210 agreements on cooperation, interaction and information exchange with regional law-enforcement agencies were concluded, 19 protocols on cooperation and information exchange were signed;

- working meetings with the administration of the law-enforcement and other agencies, regional regulatory and supervision bodies are conducted in the framework of interaction improving and case referrals maintenance;

- 36 seminars and 36 round tables for the experts in financial monitoring were organized and held to coordinate acts of the entities of financial monitoring by regional divisions of the SCFM of Ukraine.

7.2.1. Interaction with reporting entities

In 2007 the interaction between regional subdivisions of SCFM of Ukraine and reporting entities was carried out in following directions:

- financial intermediaries surveys;
- detection of problem issues that occur in the regions, in order to solve them operatively in methodological manner;
- creation of the registry of financial intermediaries;
- giving methodological assistance through consulting and written explanatory notes;
- training regional seminars.

In the framework of this work during the report period SCFM experts with participation of regional subdivisions held 28 regional seminars in Ivano-Frankivsk, Simferopil, Lutsk, Zhytomyr, Uzghorod, Zaporizhya, Poltava, Chernivtsi, Cherkasy, Lviv, Luhansk, Mykolaiv, Odesa, Ternopil, Kherson, Khmelnytskyi and Chernihiv. In the mentioned training events more than 1 600 representatives of financial intermediaries, state and law-enforcement agencies took part.

In 2007 regional subdivisions



Seminar in Chernivtsi

submitted to financial intermediaries and their separated structural divisions 5 752 clarifications (consultations) on the acting legislation in AML/CFT sphere and on organization of initial financial monitoring.

7.2.2. Interaction with regional subdivisions of state agencies

Regional subdivisions of SCFM of Ukraine in 2007:

- aiming to improving efficient cooperation at the regional level has concluded the following agreements:
 - 54 agreements and 15 protocols on cooperation, interaction and information



Seminar in Lviv



Seminar in Cherkasy

exchange with the law-enforcement agencies;

- 117 agreements and 2 protocols with other state executive power bodies;
- 20 agreements and 1 protocol with the state regulatory bodies;
- 15 agreements with Custom Service;
- 4 agreements and 1 protocol with Border Service;
- 24 agreements with other entities;
- carried out:
- 2000 working meetings with the representatives of the law-enforcement agencies, including 595 with the state executive power bodies;
- 253 – with the state regulators;
- 72 – with the Custom Service;
- 28 – the Border Service;
- considered and responded:
- 144 requests (addresses) of the law-enforcement agencies;
- 142 requests of other entities;

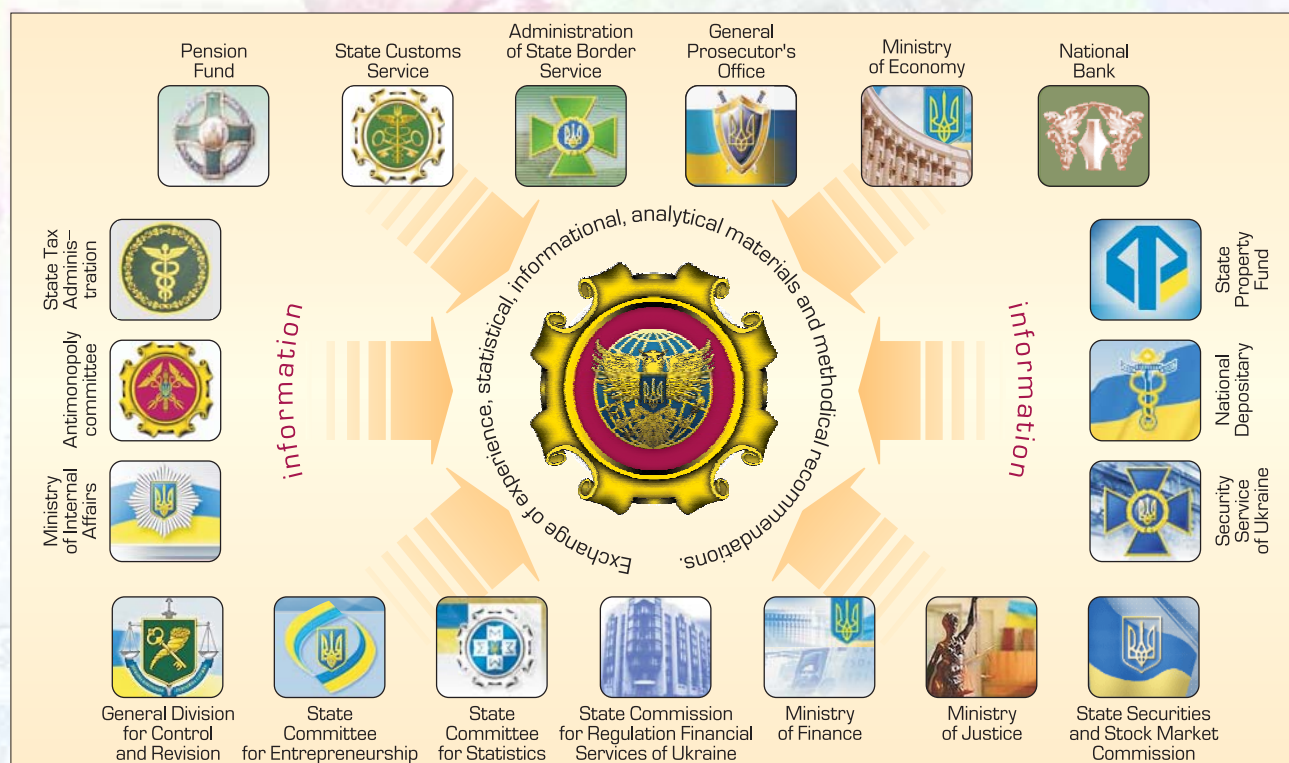
– submitted to the regional law-enforcement agencies 804 clarifications (consultations) of the acting legislation on counteraction to money laundering and terrorist financing and 338 clarifications to other entities.

7.2.2.1. Interaction with regional subdivisions of law enforcement authorities

Regional subdivisions of law enforcement authorities are considering 1072 case referrals – almost 72.9% of the total number of case referrals submitted. Most case referrals are situated in law enforcement authorities of:

Kyiv	– 234;
Luhans'ka Oblast	– 104;
Donets'ka Oblast	– 96;
Dnipropetrovs'ka Oblast	– 93;
Odess'ka Oblast	– 66.

Interaction with state bodies



**Consideration of case referrals submitted
by SCFM of Ukraine
to the law-enforcement authorities in 2007**

Consideration	General Prosecutor's Office	State Tax Administration	Ministry of Internal Affairs	Security Service of Ukraine	Total
territorial divisions	148	363	319	242	1072
central office	23	44	94	236	397
Total:	171	169	145	159	1469

**Case referrals submitted by the SCFM of Ukraine
to law enforcement authorities, which are considered
by territorial divisions of law enforcement authorities,
as of January 01, 2008**

Name Region	General Prosecutor's Office	State Tax Administration	Ministry of Internal Affairs	Security Service of Ukraine	Total
AR Crimea and Sevastopol city	1	11	11	10	33
Vinnyts'ka	1	5	2	7	15
Volyns'ka	1	5	1	8	15
Dnipropetrovs'ka	14	45	17	17	93
Donets'ka	40	19	28	9	96
Zhytomyrs'ka	2	11	13	3	29
Zakarpats'ka	2	4	2	3	11
Zaporiz'ka	9	11	7	12	39
Ivano-Frankivs'ka	3	3	3	3	12
Kyivs'ka	6	15	13	7	41
Kirovohrads'ka	0	9	11	1	21
Lugans'ka	10	49	29	16	104
Lvivs'ka	4	7	16	12	39
Mykolayivs'ka	4	24	19	10	57
Odess'ka	9	19	20	18	66
Poltavs'ka	3	6	9	2	20
Rivnens'ka	1	6	1	7	15
Sums'ka	2	3	4	0	9
Ternopils'ka	1	2	1	6	10
Kharkivs'ka	4	11	10	13	38
Khersons'ka	2	2	2	3	9
Khmelnys'ka	0	7	5	5	17
Cherkass'ka	2	8	3	6	19
Chernihivs'ka	0	3	3	9	15
Chernivets'ka	0	4	7	4	15
Kyiv city	27	74	82	51	234
Total	148	363	319	242	1072

Section 1

Section 2

Section 3

Section 4

Section 5

Section 6

Section 7

Section 8

Section 9

Section 10

Section 11

8. Interagency cooperation

8.1. Interaction with regulators and other state authorities

This year SCFM of Ukraine ensured coordination of state authorities work on fulfillment AML/CTF Action Plan for 2007, which determined concrete mechanisms of implementation of Development Concept of the AML/CTF System in 2005 – 2010.

At the same time monthly provision of general analytical reviews concerning activities of initial financial monitoring in submission financial monitoring information was provided, as well as information on possible violation of AML legislation by financial intermediaries was ensured. In 2007 SCFM of Ukraine signed Memorandums of Understanding with:

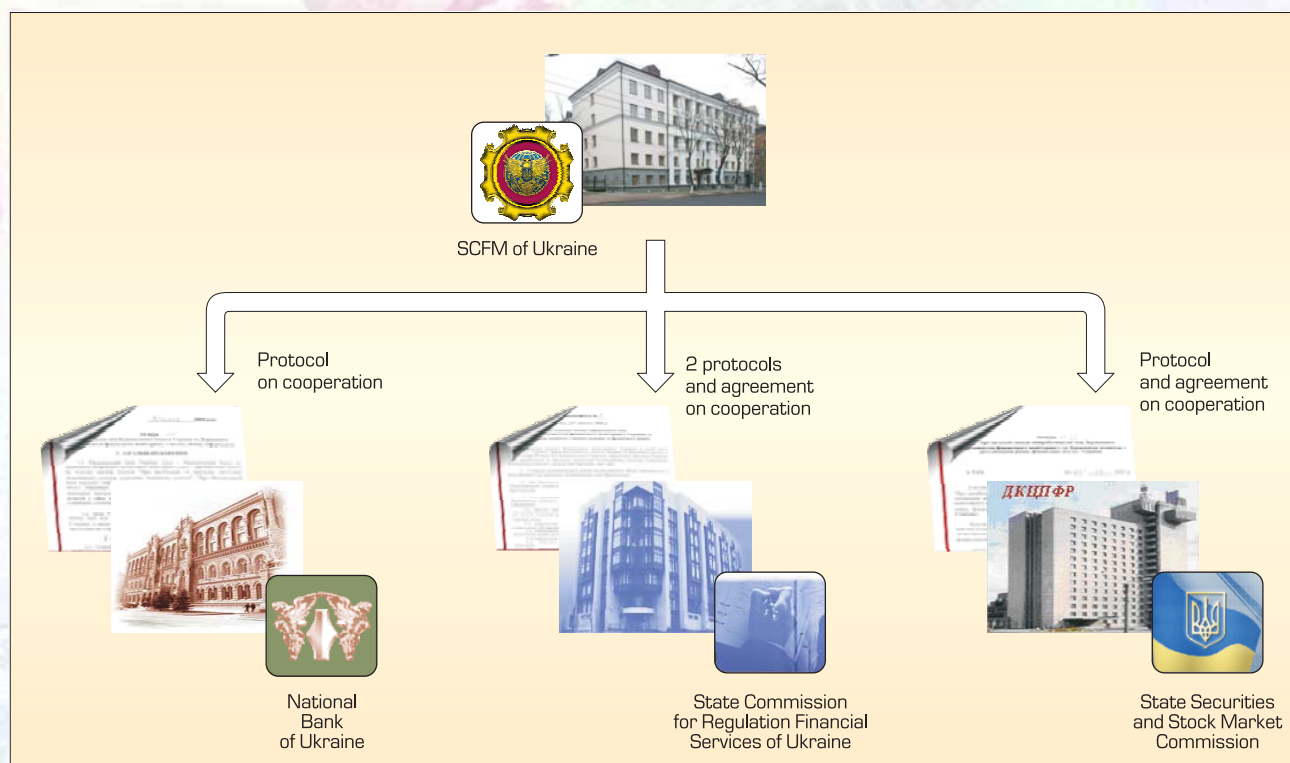


Signing of Memorandum of Understanding with Ukrainian Credit Unions Association

- Ukrainian Credit Unions Association,
- National Investment Business Association.

SCFM of Ukraine in cooperation with state authorities developed and prepared

Cooperation with state regulators



for approving by the Cabinet of Ministers of Ukraine and the National Bank of Ukraine the Draft AML/CTF Action Plan for 2008.

During 2007 SCFM of Ukraine took measures on fulfillment of the Program of Interaction for 2007–2008 between the National Bank of Ukraine, the General Prosecutor's Office of Ukraine, the Ministry of Interior of Ukraine, the Security Service of Ukraine, SCFM of Ukraine, the State Tax Administration of Ukraine on timely detection of transactions conducted with violation of banking legislation.

SCFM of Ukraine in 2007 conducted efficient cooperation with:

- the Committee of the Verkhovna Rada of Ukraine on combating corruption and organized crime concerning reporting on results of SCFM of Ukraine's activity;

- the Administration of the Council of National Security and Defense of Ukraine concerning implementation of the Order of the President of Ukraine dated July 9, 2007, № 615 "On Decision of the Council of National Security and Defense of Ukraine dated June 15, 2007 "On Status of Decisions Fulfillment of the Council of National Security and Defense of Ukraine";

- the Ministry of Economy of Ukraine in the framework of summarizing activity on state policy realization in the counteraction to laundering of proceeds from crime and terrorist financing sphere (within fulfillment of the Resolutions of the Cabinet of Ministers of Ukraine dated December 3, 2006 № 1376 and March 21, 2007 № 544);

- the Ministry of Foreign Affairs of Ukraine and the National Center on the Issues of European and Atlantic Integration, concerning implementation of

measures envisaged by the Target Plan Ukraine–NATO for 2007 in the framework of the Action Plan Ukraine–NATO;

- the Ministry of Justice and the Ministry of Economy of Ukraine concerning implementation of measures envisaged by the Action Plan Ukraine–EU for 2007.

8.2. Coordination of actions of the entities of financial monitoring

SCFM of Ukraine as national AML/CTF system coordinator functions in four main directions:

- organizational provision of functioning of the Interagency Working Group on Research Methods and Trends of Laundering of the Proceeds from Crime;

- organizational provision of functioning of the Working Group on Consideration of Problem Issues of Reporting Entities – Non-Banking Institutions and review of efficiency of their AML/CTF activity;

- cooperation with self-regulating organizations;

- providing to state regulators information on possible non-compliances in AML/CTF area by the reporting entities and list of entities that fail to submit reports.

During 11 months of 2007 SCFM of Ukraine sent to state regulators:

- 11 analytical reviews to the State Securities and Stock Market Commission;

- 11 analytical reviews to the State Commission for Regulation Financial Services Market;

- 11 analytical reviews to the National Bank of Ukraine;

At the same time during 2006 SCFM of Ukraine approved:

– 5 normative legal acts of the State Securities and Stock Market Commission;

– 1 normative legal act of the State Commission for Regulation Financial Services Market;

– 2 normative legal acts of the National Bank of Ukraine;

– 1 normative legal act of the Ministry of Finance.

In 2007 SCFM of Ukraine organized individual expanded meetings with the League of Insurance Organizations of Ukraine, the Federation of Insurance Intermediaries of Ukraine and the National Association of Credit Unions of Ukraine. In the mentioned meetings the ways of solving problems of reporting entities were discussed, which arise during fulfillment provisions of the Basic Law and requirements of other legal acts related to financial monitoring.

During 2007 seven meetings of Working Group on Problem Issues of the Reporting Entities – Non-Banking Institutions were carried out with representatives of the League of Insurance Organizations of Ukraine, the Ukrainian Pawn Shops Association, the National Association of Credit Unions of Ukraine, the Professional Association of Registrars and Depositaries, the Insurance Intermediaries Federation, the Ukrainian Association of Gambling Operators, the State Securities and Stock Market Commission, the State Commission for Regulation Financial Services Market and the State Tax Administration of Ukraine.

In Working Group Meetings the problem issues of professional participants of securities market, insurance market and other reporting entities are considered permanently.

According to the results of considering

problem issues methodical recommendations are being prepared for reporting entities, which are placed on the official web-sites of the SCFM of Ukraine and state regulators.

In 2007 SCFM of Ukraine took measures to detect cases of untimely reporting by reporting entities.

If such cases were detected, SCFM of Ukraine shall submit such information to the National Bank of Ukraine, the State Securities and Stock Market Commission and the State Commission for Regulation Financial Services Market to take correspondent regulation and supervisory measures.

During 2007 compliance officers of SCFM of Ukraine within their competence drafted and submitted to the court 71 protocols on administrative violations of reporting entities officials.

During 2007 SCFM of Ukraine provided submitting to 3267 reporting entities of amendments to the List of Persons Related to Terrorist Activity, approved by Order of the SCFM of Ukraine.

8.3. Activity of Interagency Working Group

Interagency Working Group on Research Methods and Trends in Laundering of Proceeds from Crime (IWG) played an important role in coordination of AML/CTF system. During 2003–2007 43 IWG Meetings were carried out.

During 2007 11 meetings of IWG were carried out, in which following issues were considered:

– on fulfillment status of Decree of the President of Ukraine as of March 17, 2007, № 216/2007 "On Decision of the Council of National Security and

Protection of Ukraine as of February 16, 2007 "On Prevention Measures of Non-Productive Capitals Flow-Out from Ukraine";

- on conducting monitoring of contracts concluded by securities dealers, parties of which are persons registered on off-shore zones, securities transactions analysis carried out by business entities through off-shore zones to discover and suspend laundering of the proceeds from crime activity;

- on measures to discover and suspend fictitious businesses;

- to provide business entities with information necessary for clients identification and suspicious transactions detection;

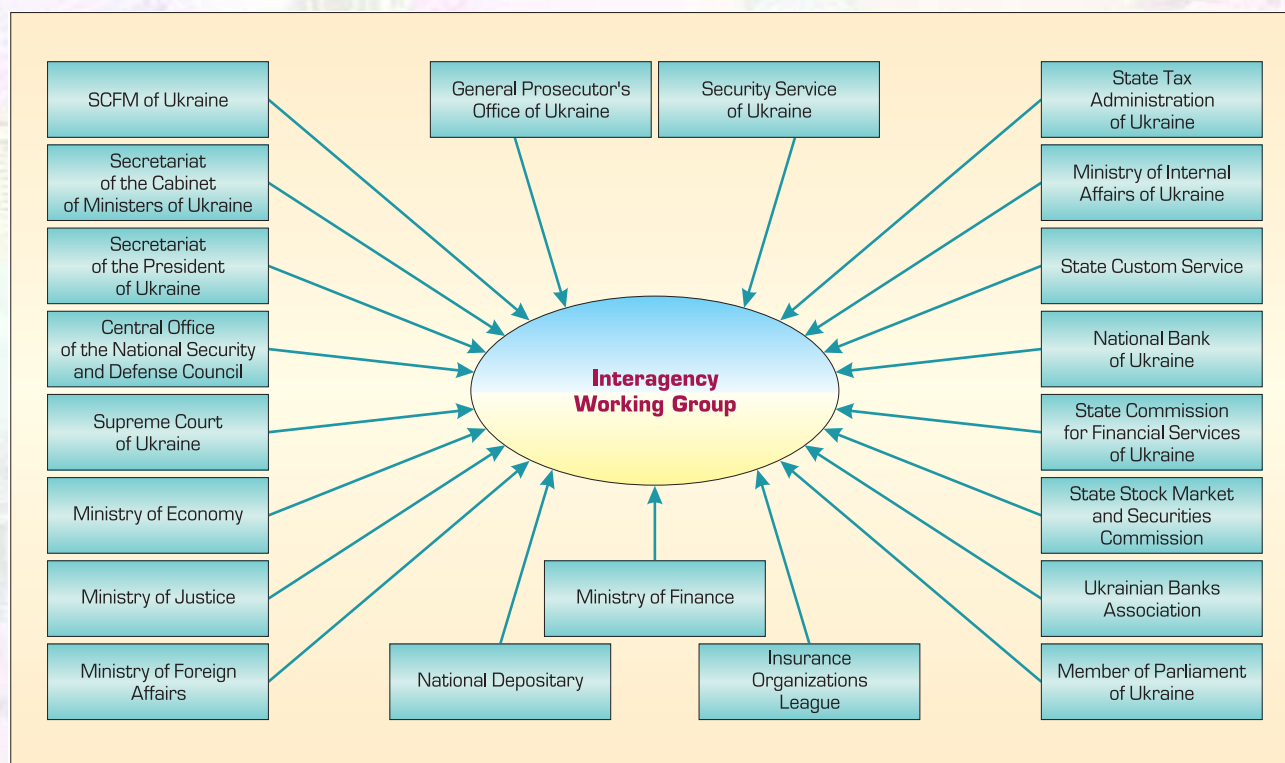
- on detection methods and schemes of legalization of the proceed from crime under the results of consideration materials of criminal cases under the

Article 209 of the Criminal code of Ukraine;

- on fulfillment status of Interaction Program of the National Bank of Ukraine, the General Prosecutor's Office of Ukraine, the Ministry of Interior of Ukraine, the Security Service of Ukraine, the SCFM of Ukraine, the State Tax Administration concerning timely detection of transactions conducted with banking law violations for 2007 – 2008;

- on organization of methodical provision of financial intermediaries activity concerning compliance with financial monitoring legislation.

IWG is at the same time Steering Committee for Council of Europe Follow-up Project against Money Laundering and Terrorist Financing in Ukraine (MOLI-UA-2). On the 40th IWG Meeting 1st Report on MOLI-UA-2 Implementation and information on





**Regional Interagency Working Group Meeting
in Lviv**

measures planned in II semester of 2007 in the framework of Project MOLI-UA-2 were represented.

Moreover, during 2007 Regional Interagency Working Group on Research Methods and Trends of Laundering of the Proceeds from Crime in Lvivs'ka Oblast carried out 5 meetings.

8.4. Methodical provision, training of reporting entities

In 2007 quantity and quality of training activity of SCFM of Ukraine substantially increased. Thus, in comparison with 2006 number of training participants increased at 55%, and the circle of involved institutions enlarged. Positive practice became implementation of specialized seminars for several financial intermediaries' categories. Quick reaction on the reporting entities problems enabled solving urgent problems.

During reporting period SCFM of Ukraine conducted:

- 125 letters – answers on methodical issues were composed and submitted to the requests of reporting entities;

- in the framework of "Hot Line" about 30 consultations were provided daily for

financial intermediaries on the issues of legislation implementation in AML/CTF area;

- about 30 clarifications on most popular problem issues were placed on Official Web-Site of SCFM of Ukraine, which arise during reporting entities' fulfillment of AML legislation requirements;

- representatives of SCFM of Ukraine participated in organization and conducting of 100 thematic trainings (seminars, lectures, meetings, round tables etc.) related to training and e-learning of about 6500 representatives of financial intermediaries and state authorities engaged in AML/CTF area;

- SCFM of Ukraine developed Model Regulations for: insurance companies, gambling institutions, credit units, depositaries, securities dealers, registrars, as well as Model Financial Monitoring Program for non-banking institution. All abovementioned documents are placed on Official Web-Site of SCFM of Ukraine;

- 4 two-days workshops for employees of regional subdivisions of SCFM of Ukraine were organized;

- with assistance of self-regulating organizations several thematic meetings were organized with representatives of: banks (about 50 banks of Ukraine), insurance organizations, administrators of private pension funds, insurance intermediaries, pawn shops, leasing providers;

- during reporting period taking into account requests of web-site users, the structure of the web-site was changes, what simplified work with it.

9. Training-Methodical Center of SCFM of Ukraine

Staff of Training-Methodical Center – 19 persons, in particular: 1 Doctor of Science, 2 Candidates of Science. 71 lecturers are engaged in training, in particular 2 Doctors of Science, 2 Professors, 31 Candidates of Science.

In 2007 the Training-Methodical Center:

- carried out training and advanced trainings for 262 experts of state financial monitoring entities, law enforcement and

judicial authorities, 12 experts of financial intermediaries and 14 experts of Moldova FIU;

- created Training-Methodical Center Development Strategy;

- manual "Counteraction to Legalization of the Proceeds from Crime and Terrorist Financing" was prepared;

- computer system of incoming and outgoing testing was implemented;

- documents were submitted to the



Tests in the Training-Methodical Center



First training group in Regional Division of the Center in Lvivs'ka Oblast

State Securities and Stock Market Commission and the State Commission for Regulation Financial Services Market to conclude contracts;

- developed the web-site of Training-Methodical Center;

- professional advanced training

program "Combating legalization (laundering) of the proceeds from crime, and terrorist financing" was updated;

- Regional Division of Training-Methodical Center in Lvivs'ka Oblast started its activity.

10. International Cooperation

One of the important constituent of SCFM of Ukraine's activity is establishment of constructive cooperation with international institutions and foreign partners responsible for organization of effective counteraction to money laundering and terrorist financing.

10.1. Cooperation with international organizations

During reporting period SCFM of Ukraine actively cooperated with leading AML/CTF international organizations, such as Financial Action Task Force (FATF), FATF style regional bodies – MONEYVAL, EAG, Council of Europe and European Commission, UNODC, Egmont Group, World Bank, IMF etc.

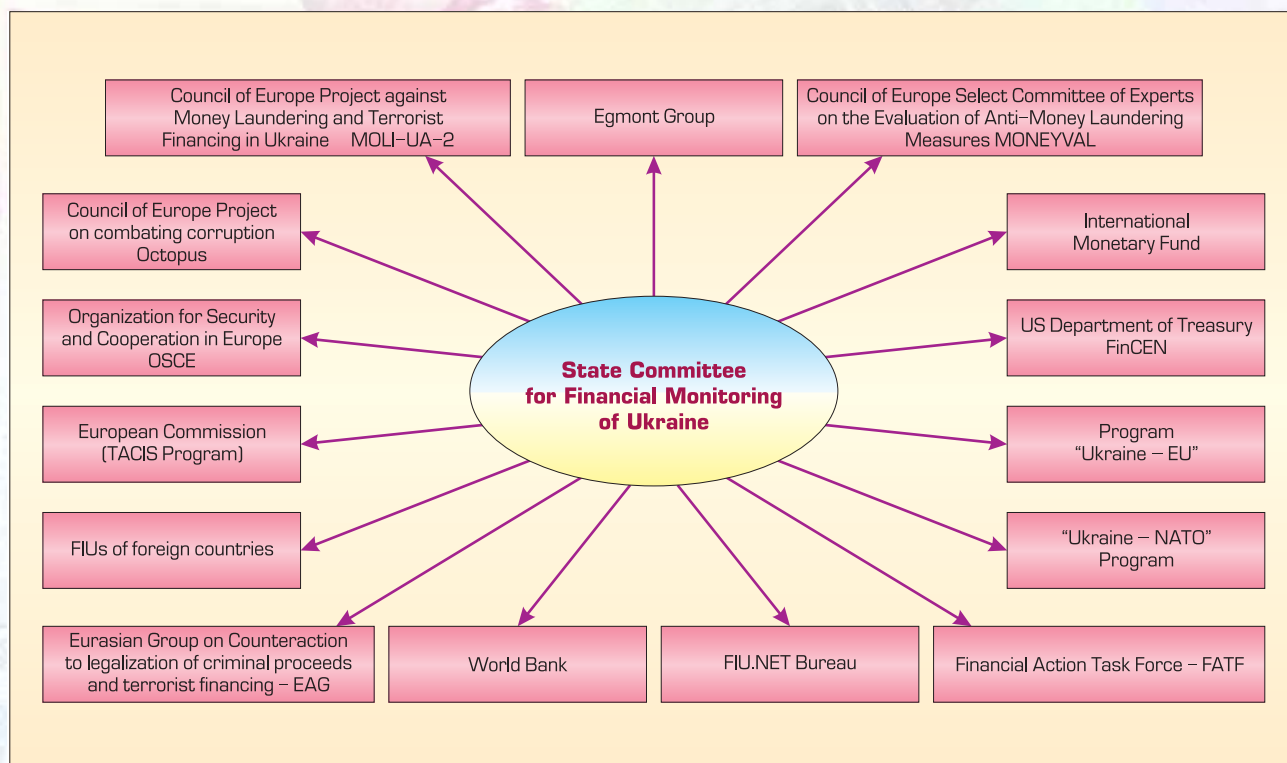
During 2007 representatives of SCFM of Ukraine conducted 31 international visits, hosted 13 delegations of foreign FIUs and representatives of foreign institutions and international organizations.

10.1.1. Cooperation with FATF

Representatives of SCFM of Ukraine participated in First FATF–MONEYVAL Joint Plenary Meeting, which combined Second Plenary Meeting of FATF–XVIII and 22nd Plenary Meeting of MONEYVAL (February 2007, Strasbourg, France).

Besides, representative of SCFM of Ukraine participated in FATF Working Group on Terrorist Financing and

Cooperation with international organizations





Participants of Egmont Working Group Meetings

Money Laundering (June 2007, Paris, France).

10.1.2. Cooperation with Egmont Group

One of the most important international events organized by SCFM during reporting period was hosting in Kyiv on October, 16–18, 2007 of Working Group's Meetings of Egmont Group that unites state bodies responsible for counteraction to legalization (laundering) of the proceeds from crime and terrorist financing.

Egmont Group Meetings gathered a forum consisting of representatives from 51 countries and 5 international organizations, the employers of which are recognized in the world as experts on counteraction to money laundering and terrorist financing. The First Vice–Prime Minister of Ukraine Mykola Azarov, the

Head of the State Committee for Financial Monitoring of Ukraine Serhiy Hurzhiy, the Deputy Heads and employers of the SCFM visited solemn opening of Egmont Group Meetings.

During this opening ceremony First Vice–Prime Minister Mykola Azarov stated: "This meeting is another step on the way of development AML/CTF system and system on counteraction to other criminal phenomena in economics. Ukraine confidently proceeds along the way of counteraction to money laundering and terrorist financing and this is a strategic course of our state".

In the framework of Working group's meetings of Egmont Group was signed the Memorandum of Understanding between the State Committee for Financial Monitoring of Ukraine and SOCA (FIU of United Kingdom).

Moreover, SCFM of Ukraine solemnly signed the Egmont Group Statute that is a



Signing of Memorandum of Understanding between SCFM of Ukraine and SOCA

necessary condition of further membership in this organization. The Statute, particularly, provides for improvement of effective information exchange to counteract money laundering and terrorist financing, conducting of information exchange on the activity of FIUs and extension of cooperation in all spheres in compliance with national legislation of each country.

During the Statute signing ceremony the Head of the State Committee for Financial Monitoring of Ukraine Serhiy Hurzhiy stated that Ukraine will comply

with the principles laid out in the Egmont Group Statute and will make efforts to implement them fully.

Besides, the employers of the SCFM of Ukraine participated in the events of Egmont Group in Vaduz, Liechtenstein and Hamilton, Bermuda Islands.

10.1.3. Cooperation with the Council of Europe/ European Commission

There is a successful and efficient implementation of Follow-up Project against Money Laundering and Terrorist Financing in Ukraine (MOLI-UA-2) implemented by the Council of Europe and financed by the European Commission. Particularly, during reporting period 2 international seminars, 3 working visits and 2 training visits (the total quantity of participants is 149) were conducted.

Starting from 2002 SCFM experts constantly participated in the Plenary Meetings of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures MONEYVAL that take place thrice a year.



Visit of representatives of Egmont Working Groups to the SCFM of Ukraine's Museum

This year the SCFM representative was included to the Council of Europe group of experts conducting third round of mutual evaluation of Romania in the framework of MONEYVAL Committee.

Ukraine became the first out of Tacis countries starting from summer 2006 active implementation of the European Commission instrument on technical assistance and information exchange TAIEX.

During 2007 SCFM of Ukraine presided 3 delegations of the representatives of state bodies who participated in seminars, organized by TAIEX and received approval of the application to make a training visit of the state servants of Ukraine to the EU member-states.

On December 18, 2007, a meeting of liaison officers of EU member-states embassies in Ukraine with leadership of SCFM of Ukraine took place. Liaison officers of embassies of Austria, Czech Republic, Denmark, Germany, Greece, Hungary, Latvia, Portugal, Romania, Slovak Republic, USA, as well as representatives of EU Border Assistance Mission to Moldova and Ukraine participated in the



Signing of Egmont Statute

meeting. During the meeting the issue of cooperation development in the AML/CTF area between FIUs of Ukraine and EU countries was discussed.

10.1.4 Cooperation with Eurasian Group

According to the Decree of the President of Ukraine from September, 30, 2004 № 1156/2004 SCFM of Ukraine was determined as an agency responsible for cooperation with Eurasian Group (EAG).



Egmont Working Groups meeting, Kyiv

The experts of the SCFM permanently participate in all EAG working groups meetings and events.

During 2007 the representatives of the SCFM took part in the Plenary and Working Group Meetings in Sochi, Russian Federation, and in Sanya, Peoples Republic of China, as well as in the Eurasian Group workshops on typologies and on consulting private sector in Almaty, Kazakhstan.

10.1.5. Provision of technical assistance to other FIUs

During 2007 the SCFM experts provided technical assistance to foreign colleagues to establish and develop national AML/CTF system in the framework of Egmont Group, EAG and in the framework of realization of technical assistance projects of the Council of Europe.

Particularly, SCFM of Ukraine gave active sponsorship to FIU of Republic of Belarus and Kyrgyz Republic (in the framework of EAG and Egmont Group), FIU of Moldova (in the framework of Egmont Group and CoE Project), FIU of

Armenia (in the framework of Egmont Group), FIU of Serbia (in the framework of CoE Project).

The joining of Belarus and Armenia FIUs to Egmont Group supported by SCFM of Ukraine was completed successfully. In the course of the Plenary Meeting of Egmont Group on May, 30 2007 the heads of FIUs of Egmont Group approved joining of above-mentioned FIUs to this organization with a full member status. An appropriate assistance is still given in this field to FIU of Kazakhstan, Azerbaijan, Kyrgyz Republic, Moldova and Iran.

On June 2007 in the premises of SCFM Training-Methodical Center the delegation consisting of representatives of the state bodies of Republic of Moldova was trained in the framework of the course "International Standards of Counteraction to Money Laundering and Terrorist Financing".

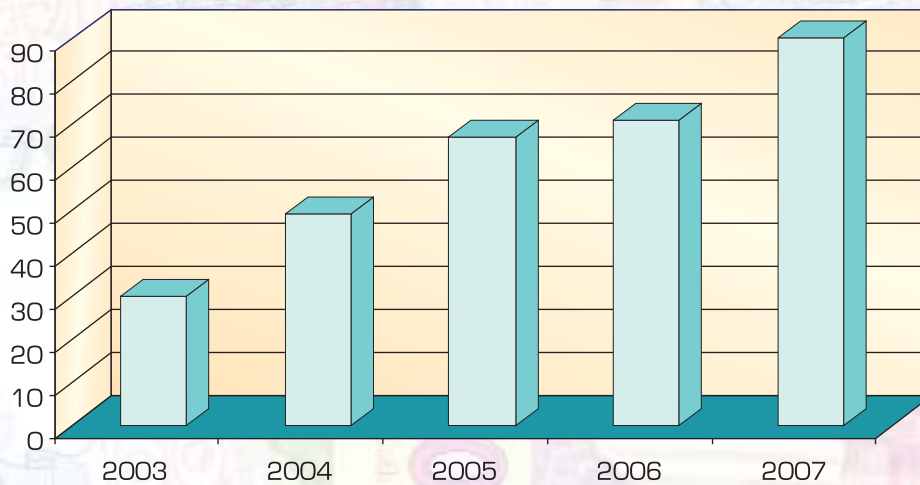
10.1.6. Other international events

SCFM representative on a regular basis participates in the events of Ukraine-Troika EU format on Freedom,



Training of Moldova FIU representatives in the framework of the course "International Standards of Counteraction to Money Laundering and Terrorist Financing"

The quantity of countries the information exchange is carried out with



Security and Justice issues. In the framework of these events there are also meetings of Ministers of Freedom, Security and Justice where top-rank officials of appropriate ministries and entities of Ukraine and state-members of EU, officials of European Commission, General secretariat of the Council of EU and EU Agency for the Management of Operative Cooperation at the External Borders.

These meetings are aimed at favoring execution of the Ukraine – EU Action Plan in the field of freedom, security and justice, thus, a whole Ukraine – EU Action Plan.

During reporting period Memoranda of Understanding on cooperation in AML/CTF sphere with FIU of Kyrgyz Republic, United Kingdom of Great Britain and with FIU of Federative Republic of Nigeria were signed. Besides, near 10 Memoranda are being prepared to be signed.

10.2. Information exchange with foreign FIUs

For the present day SCFM of Ukraine has a great range of possibilities to receive

financial information relating to criminal activity from foreign colleagues. This affords to investigate intricate transnational schemes of legalization (laundering) of the proceeds from crime and terrorist financing more efficiently and in larger scale.

SCFM work efficiency was recognized by FIU of the USA (FinCEN). The USA stated that Ukraine is a regional leader in information exchange on financial crimes between FIUs.

Since being founded SCFM of Ukraine closely cooperates in AML/CFT field with 92 countries and their quantity constantly rises.

Together with increase of the quantity of cooperating countries the quantity of received information from foreign counterparts to requests is also growing.

From the middle of 2003 the SCFM of Ukraine submitted 1868 requests to foreign colleagues and received 1620 responds.

In its turn the SCFM of Ukraine received 556 requests from 56 FIUs, out of which responded to 555.

At the same time during 2007 SCFM

of Ukraine conducted the following work on information exchange with foreign FIUs:

- submitted 635 requests to 62 foreign FIUs and received 601 responds;

- received from foreign FIUs 132 requests, responded to 131 requests. The average time needed to respond to the query of a foreign FIU is 19.8 days.

At the same time to comply with IX FATF Special Recommendation with the aim of counteracting to illicit trans-border transfer of currency funds SCFM established cooperation with the State Custom Service to counteract illicit transfer of currency through Ukrainian border.

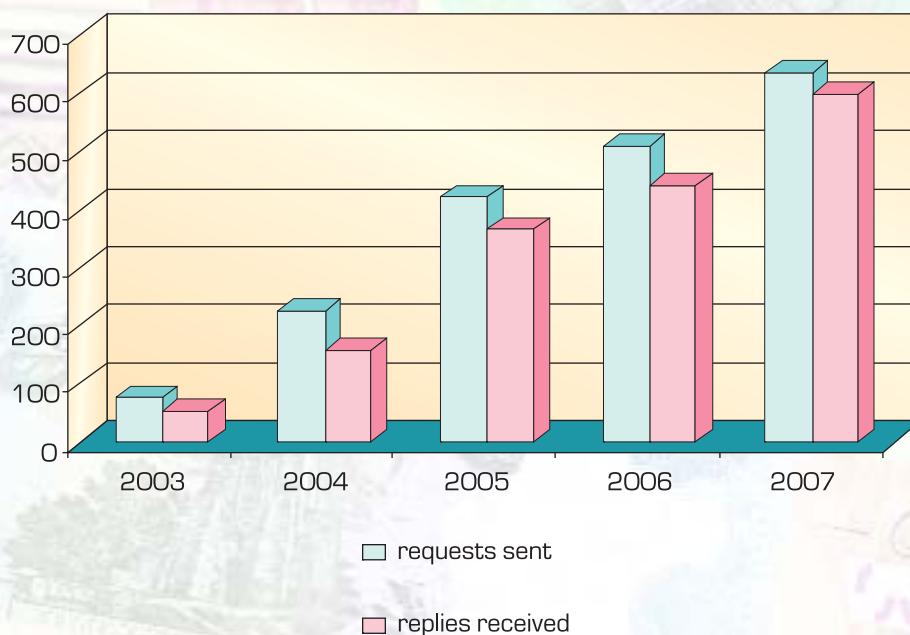
SCFM forwards informative letters to foreign FIUs on non-residents who violated custom rules on the Ukrainian border.

During 11 months of 2007 the SCFM sent 71 informative letters to 19 foreign FIU. Communication with the countries that have common borders with Ukraine is the most active.

In 2007 SCFM of Ukraine started using secure network FIU.NET actively. This system unifies the state-members of EU to carry out exchange with information on financial transactions suspected in money laundering in real time. The main advantage of FIU.NET is the efficiency of requests processing and confidentiality. Successful linking up of the State Committee for Financial Monitoring to the network FIU.NET in summer 2005 took place due to the grand given with this aim by the Council of Europe in the framework of MOLI-UA project.

It should be mentioned that Ukraine was the first country – non-member of EU that joined FIU.NET project.

Number of requests sent and replies received



11. Plans for 2008. Development Perspectives

Taking into account the requirements of Combating Corruption Concept "Towards Honesty" and the Action Plan of the Government "Ukrainian breakthrough: for people, not for politicians" the key objectives for the State Committee for Financial Monitoring for the next year are:

1. Prevention of the use of the financial system of Ukraine for the purpose of money laundering and terrorist financing.

2. Establishment of effective regional systems of counteraction to legalization (laundering) of the criminal proceeds and terrorist financing through coordination of actions of state bodies and self-regulated organizations at regional level.

3. Expansion of unified information network of electronic interaction between state bodies – participants of the national AML/CFT system.

4. Implementation into national legislation of international standards in the AML/CFT sphere, particularly, of FATF Forty Recommendations and Nine Special Recommendations, III Directive of the European Parliament and of the Council On the prevention of the use of the financial system for the purpose of money laundering and terrorist financing (2005/60/EC).

5. Proving by Ukraine of status of reliable partner of international community in the AML/CFT sphere in such international organizations as Financial Action Task Force, the Council of Europe and the Egmont Group.

To elevate the quality of the information processing and analysis the objectives of SCFM of Ukraine for the next year are:

- Improvement of informational and analytical system and legal base to automatize the information exchange process with financial intermediaries.

- Improvement of mechanism for blocking transactions related to terrorist financing. That's why further development of legal base is carried out. In particular the following draft acts have been elaborated: on the procedure for composition of a "black list" of persons related to terrorist financing; on amendments to the Basic Law on the powers of financial intermediaries and SCFM of Ukraine to block transactions of persons involved into terrorist financing.

- Forming of a reliable and authentic list of persons involved into terrorist financing.

In case of entering into force of the Law of Ukraine on amendments to the Law of Ukraine "On Prevention and Counteraction to Legalization (Laundering) of the Proceeds from Crime" a perspective direction of the work of SCFM of Ukraine will be elaboration of normative and legal acts aimed at provision of implementation of this Law.